

# Economic & Market Outlook 2025

## Uncharted Waters: Steering Through New Frontiers

MNC Securities Research Team | Flagship Report



## Insight Summary

### Global Macro

- **Economic Challenges:** The global economic landscape faces significant headwinds, including wider tariff impose, geopolitical tension, unstable commodity prices, lower export demand, and reduced consumption and investment levels. China's property sector slowdown, accounting for ~25% of its GDP, poses a global risk as every 1% decline in China's GDP could lower global output by 33bps.
- **Muted Growth Outlook:** The global economy is projected to grow at a modest pace in the coming years. Global GDP growth is estimated at 3.2% in FY25E, with advanced economies growing at 1.8% and emerging markets contributing over 4.2%. However, anticipated global interest rate cuts have moderated due to persistent inflation.
- **Inflation Trends:** Inflation continues to decline globally but remains above target in advanced economies, projected at 2.3%–2.5% for FY25E. Emerging markets are expected to face higher rates due to wage growth, geopolitical risks, and recovering demand. Tight monetary policies are anticipated to moderate inflation, aligning with central banks' 2% targets by FY26E.
- **China's Stimulus Impact:** China's recent stimulus measures, including a CNY2.3tn bond issuance and mortgage rate cuts, aim to boost domestic demand amidst a prolonged property market downturn. These measures may enhance global investor sentiment but face challenges from escalating US-China trade tensions

### Domestic Macro

- **GDP Growth Outlook:** Indonesia's economy remains resilient, with 3Q24 growth at 4.95%, nearly unchanged from 4.94% in 3Q23. The full-year 2024 GDP growth is forecasted at 5.01% and expected to rise slightly to 5.10% in FY25E. Growth drivers include strong trade, investment, and a flourishing digital economy.
- **Policy Direction:** President Prabowo Subianto's "Red and White Cabinet," comprising 109 members, focuses on investments in education, healthcare, social welfare, and the digital economy. Fiscal spending is expected to increase to IDR3,621tn in FY25E, widening the fiscal deficit to -2.53% of GDP.
- **Currency and Bond Market:** The Indonesian Rupiah depreciated by 4.6% YTD by the end of 2024, pressured by strong USD demand and rising U.S. bond yields. The 10-year government bond yield is projected to range between 6.65% and 6.90% by the end of FY25E.
- **Inflation Stability:** Inflation in Indonesia is expected to range between 2.20%–2.75%, within Bank Indonesia's target. Geopolitical tensions in the Middle East and weather changes are potential risks to price stability.

## Sentiment Speaks

- **Market Volatility:** Following Donald Trump's re-election, Indonesia's JCI declined by -4.3% since October 31, 2024, with a total drop of -9% from its all-time high. This was driven by foreign investor sell-offs amounting to IDR11tn.
- **Election Impact:** Protectionist policies under Trump's administration and trade tariff hikes are expected to create uncertainties in global markets, affecting Indonesia's trade and investment outlook.
- **Government Stimulus:** Key measures include a 6.5% increase in the national minimum wage and the Quick Win 2025 program, which allocates IDR71tn for initiatives like school renovations, free health check-ups, and food security programs.

## Bond Strategy

- **Treasury Yields:** The U.S. Treasury yield curve inversion persisted from July 2022 to September 2024, signaling recession risks. The 10-year U.S. Treasury yield increased by 90 basis points from September to December 2024.
- **Bond Yield Projection:** Indonesian 10-year government bond yields are expected to remain competitive at a real yield of 4.3%, assuming 2.7% inflation in FY25E. However, foreign preference for higher real yields in Brazil (9.9%) and South Africa (6.1%) poses competition.

## Equity Strategy

- **Market Dynamics:** Global stock markets enjoyed positive performance during the last month of FY24, but Indonesia did not join the celebration. The JCI experienced a -2.7% decline in FY24, with blue-chip stocks facing even steeper drops. Weak consumer purchasing power and uncertainty over fiscal policies were key contributors.
- **Sector Performance:** The energy sector led with a +28% YoY performance, while transportation, technology, and financial sectors showed weakness. Daily transaction values increased to IDR 10-11 trillion in FY24 from IDR 8-9 trillion in FY23. The rising influence of stocks with low free floats, which have seen substantial gains, has drawn liquidity from both local investors, especially retail, and global investors, particularly passive funds. This situation has led to distortions in JCI performance, and we expect the contribution of these stocks to remain significant in FY25E, leading to increased market volatility.
- **JCI Target 2025:** Our target for the base case scenario relies on a 5%-8% EPS growth forecast, leading us to uphold our fundamental JCI target of 8,200 for the moderate scenario, 7,250 for the bear scenario, and 8,600 for the bull scenario.
- **Sector Rating and Stock Selection:** 1) Earnings resilience; 2) Interest rate-sensitive proxies; 3) Higher dividend yield. We prefer selected stocks from the banking, poultry, property, plantation, and healthcare sectors. Our top picks are BBKA, BRIS, BSDE, JPFA, HEAL, DSNG, STTA, and ANTM.

<b>Contents</b>	<b>Page</b>
Global Economic Outlook	1
Muted global growth ahead as inflation curbs rate cuts	2
Asian economies lead tread growth	4
Diverging trajectories in global manufacturing	5
Sentiment Speaks!	7
U.S. Treasuries gains during global easing	7
Trump's "Tariff" Magic Wand	8
China leverages stimulus measures for economic recovery	10
Bond Strategy	17
Charting new growth paths	17
Yield divergences: A risk-reward analysis in emerging opportunities	19
Equity Strategy	20
Still challenging but sound	20
JCI Base Case: Target set at 8,200	26
How DXY Movements Impact MSCI EM and MSCI Indonesia Returns	27
Sectoral Outlook	28
Automotive	29
Banking	32
Cement	35
Coal	37
Consumer	42
Healthcare	45
Metal Mining	48
Oil & Gas	52
Plantation	56
Property	61
Telco	64
MNCS Macroeconomic Forecast	68
Primbon Index	69
MNCS Universe 2025	70

## Global Economic Outlook

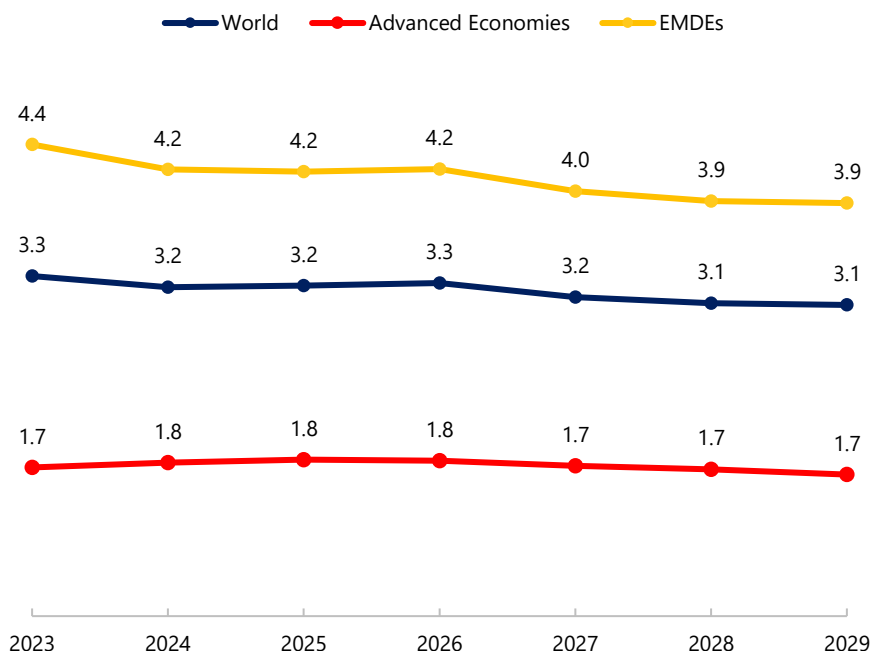
### Growth slows amid geopolitical tensions and market strains

The year 2024 and the upcoming 2025 presents significant challenges for the global economy. Policymakers and leaders remain focused on addressing the economic slowdown of recent years, striving to steer toward a faster recovery and growth. While encouraging signs of stabilization have emerged, they seem insufficient to prompt major policy adjustments on the expected scale.

The global economic deceleration has become a key theme in light of the uncertainty that has plagued recent years. The expected post-pandemic recovery has been hindered by factors like: 1) Geopolitical tensions in multiple countries, 2) Unstable commodity prices, 3) Slower export demand, and 4) Lower consumption and investment level.

The October 2024 World Economic Outlook (WEO) projects a slowdown in global growth highlighting the significant challenges faced by both advanced and developing economies (Exhibit 1). Advanced economies struggle with monetary tightening and slower productivity growth, while developing economies are hindered by global uncertainties and escalating debt crises.

**Exhibit 1. Economic Growth Projections (% YoY)**



Source : IMF, MNCS Research

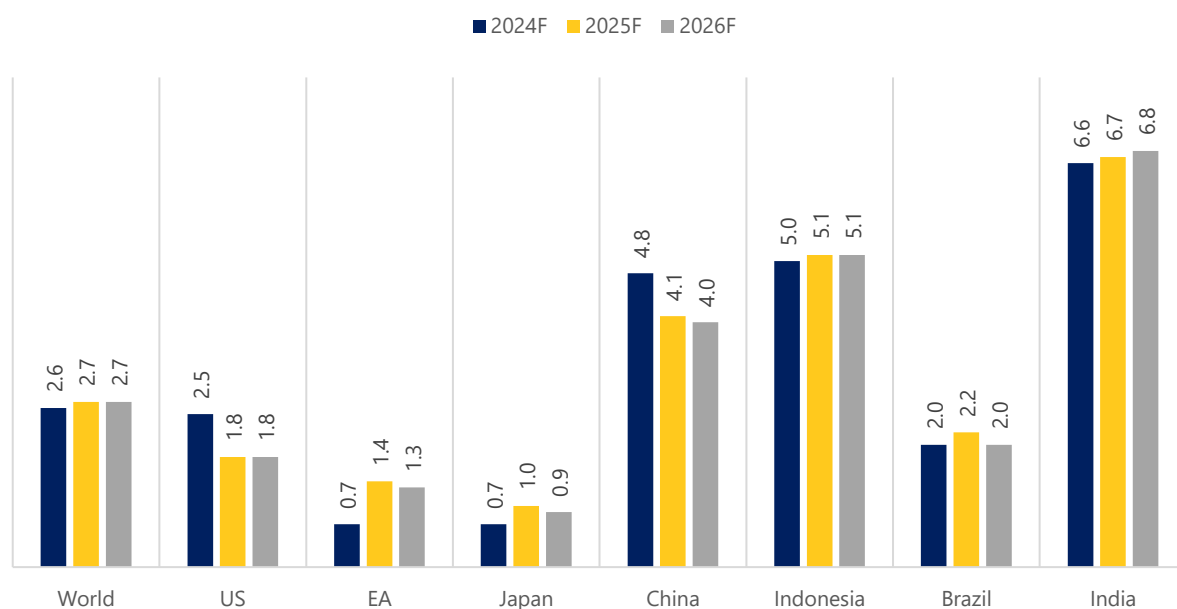
## Muted global growth ahead as inflation curbs rate cuts

Global growth is projected to pick up slightly this year, driven by strong U.S. expansion. However, anticipated global interest rate cuts have moderated due to persistent inflation. Overall, the outlook remains muted, with both advanced and emerging economies expected to grow slower in 2024-26 than in the pre-pandemic decade.

Economic growth across advanced economies is projected to remain at 1.5% in 2024, with key regions showing divergent trends. The United States is expected to grow 2.5%, while countries in the Eurozone will see weak growth around 1%, with a slight improvement expected in 2025 (Exhibit 2). In Asia, Japan's growth outlook remains weak, with relative stagnation anticipated.

Emerging markets in Asia are expected to contribute significantly to global growth, with growth rates surpassing 4.5%. Domestic demand in many EMDEs is likely to strengthen this year as they recover moderately from high inflation, tight financial conditions, and weak industrial activity. However, overall EMDE growth is likely to slow slightly due to challenges in some large economies

**Exhibit 2. Modest Growth Amid Inflation Risks and Regional Disparities (% YoY)**



Source : World Bank (June 2024)

## Global trade set for cautious recovery

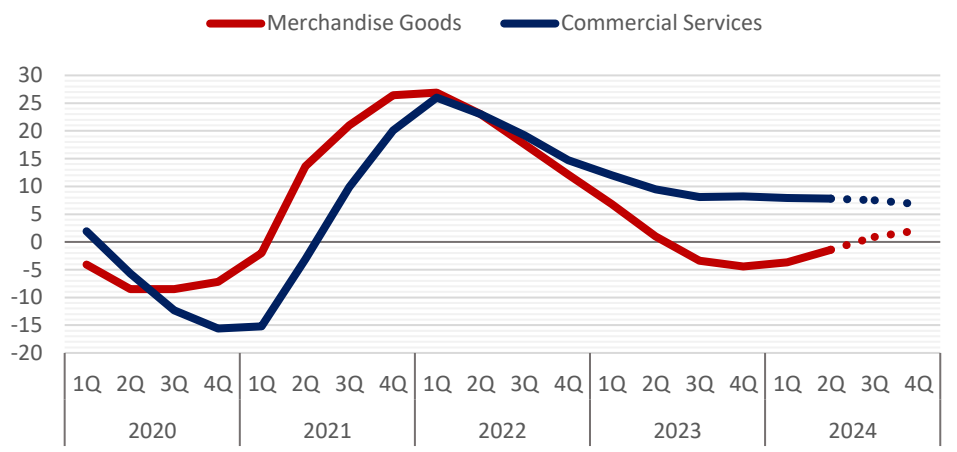
Global merchandise trade rebounded in the 1H24, growing 2.3% YoY after a challenging 2023 marked by high inflation and rising interest rates. This upward trend is expected to continue moderately through late 2024 and into 2025 as economic pressures ease, supporting a cautious recovery in trade volumes globally.

World merchandise trade value growth was essentially flat, rising by just 0.1%, while trade in commercial services showed much stronger growth, up 8.0% YoY in Q1 (Exhibit 3). These dynamics indicate a divergence between the goods and services sectors, with services trade benefiting from global demand even as goods trade faces headwinds from geopolitical tensions, economic uncertainty, and inflationary pressures.

While trade is expected to grow this year, global trade is on track to post its slowest five-year growth since the 1990s by the end of 2024, aligning with subdued global GDP growth (Exhibit 4). In the short term, trade responsiveness to output is likely to remain weaker than pre-pandemic levels due to sluggish investment and the spread of trade restrictions globally.

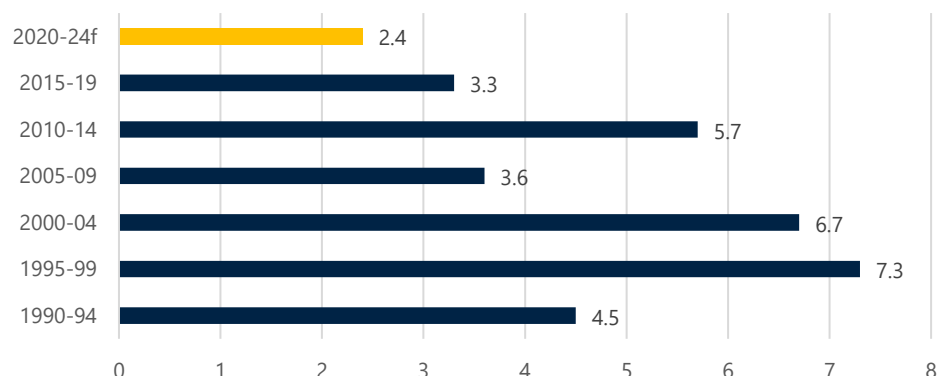
**Exhibit 3. Annual change in Merchandise & Services trade value (%)**

*The outlook for 2025 will be overshadowed by trade and geopolitical risks, as potential US tariff expansions disrupt global value chains and key relationships*



Note: Figures for 3Q & 4Q are estimates  
Source : WTO-UNCTAD, MNC Sekuritas

**Exhibit 4. Global Trade 5-Year Average Growth (%)**



Source : World Bank

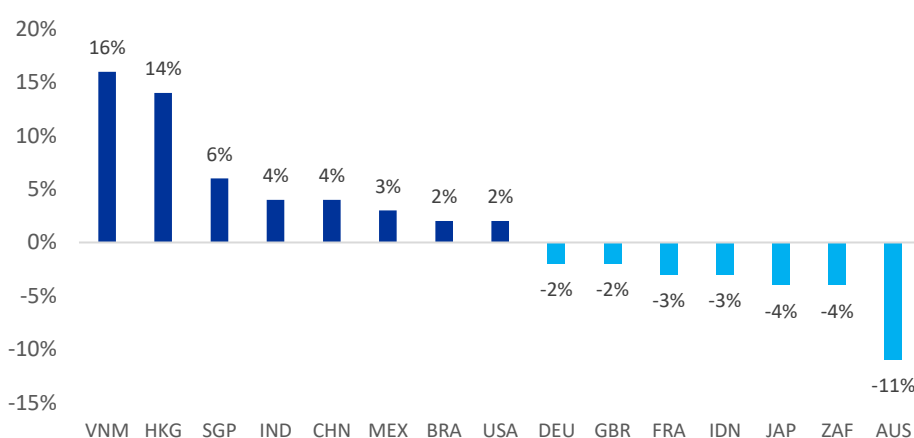
## Asian economies lead tread growth

Merchandise trade data for 1H24 highlights contrasting regional trends. Several Asian economies, including Vietnam, Hongkong, and Singapore, recorded notable increases in both exports and imports, reflecting resilient demand, recovering supply chains, and robust manufacturing activity (Exhibit 5). These gains were driven by higher shipments of electronics, machinery, and consumer goods, alongside rising imports of raw materials and intermediate goods to support production.

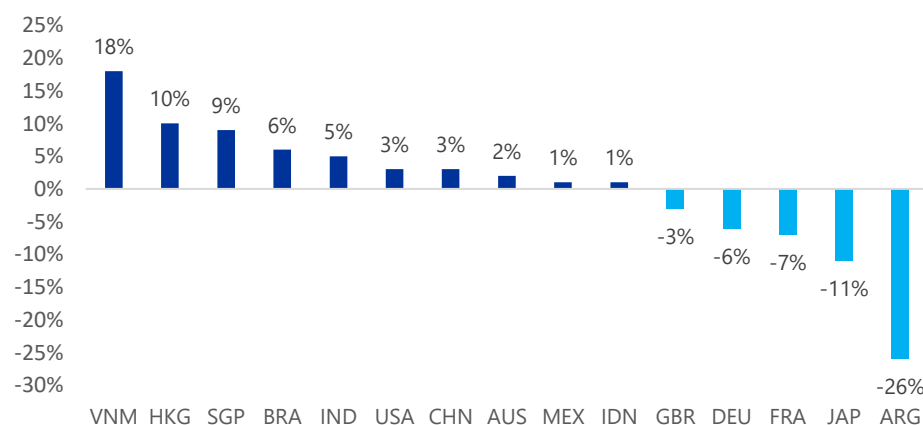
In contrast, South America saw weaker trade activity, with Argentina imports falling by -26%, while Mexico increased by just +1%, both facing lower imports due to subdued demand, currency depreciation, and tighter monetary policies (Exhibit 6). Europe experienced softer flows in energy and industrial goods amid high borrowing costs and weak consumer confidence.

These diverging patterns underscore Asia's relative economic momentum and supply chain strength compared to other regions, where lingering inflationary pressures and geopolitical uncertainties continued to hamper trade performance.

**Exhibit 5. Merchandise Exports 1H24 (YoY change)**



**Exhibit 6. Merchandise Imports 1H24 (YoY change)**



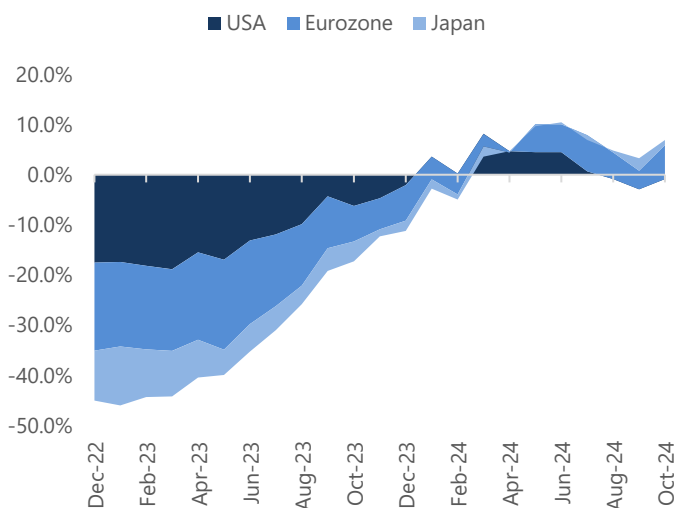
Source : WTO

## Diverging trajectories in global manufacturing

Manufacturing activity in Advanced Economies, including the US, Eurozone, and Japan, faced sustained contraction starting in 4Q22, primarily driven by tighter monetary policies, weaker global demand, and persistent cost pressures. In the US, the ISM Manufacturing PMI consistently remained below the 50-mark, signaling contraction, as higher borrowing costs dampened industrial output (Exhibit 7). Similarly, the Eurozone's Manufacturing PMI struggled due to sluggish exports and energy price volatility, while Japan's Manufacturing PMI reflected supply chain disruptions and subdued demand from key markets like China. By 2Q24, manufacturing in advanced economies showed signs of recovery. The US saw steady PMI gains, the Eurozone stabilized as inflation cooled, and Japan benefited from stronger demand and investment. However, recovery remained uneven amid geopolitical risks, high rates, and export weaknesses.

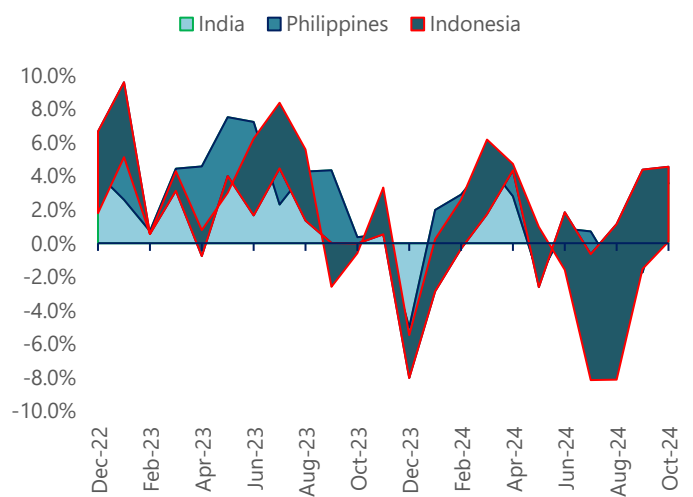
After declining in the fourth quarter of 2023, activity in emerging market and developing economies (EMDEs) generally stabilized in early 2024, supported by improvements in domestic demand indicators, such as retail sales and consumer confidence (Exhibit 8). Manufacturing sector PMIs in early 2024 broadly increased, particularly in India, the Philippines, and Indonesia, reflecting a stronger trend in the EMDE manufacturing sector. However, positive growth in the manufacturing sector weakened mid-year, with ongoing challenges in vulnerable EMDEs. Growth in countries with stronger credit ratings has outpaced that in lower-rated countries, many of which are dealing with high debt and financing costs.

**Exhibit 7. AE's PMI Manufacturing YoY Change (Selected Countries)**



Sources : S&P Global, Bloomberg, MNCS Research

**Exhibit 8. EM's PMI Manufacturing YoY Change (Selected Countries)**



Sources : S&P Global, Bloomberg, MNCS Research

## Inflation moderate towards Central Banks targets

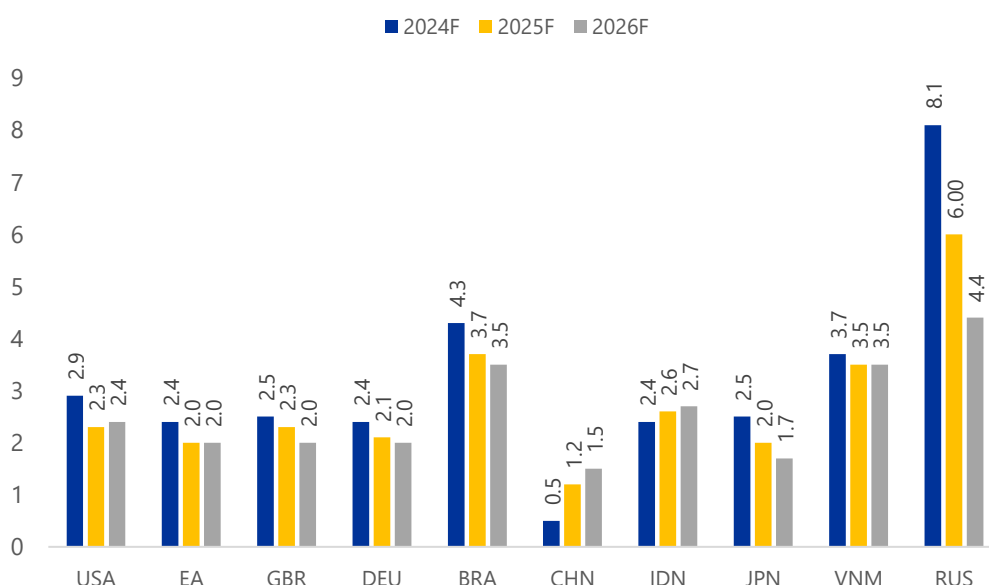
As inflation pressures ease, advanced economies like the U.S. and the Euro Area have started reducing interest rates starting in 2Q24. In contrast, China has rolled out significant stimulus measures to boost weak domestic demand.

Global inflation continues to decline, progressing toward central bank targets but at a slower pace than anticipated, due to persistent core inflation driven by wage growth and services, geopolitical risks affecting energy prices, and recovering demand. Advanced economies such U.S. and Euro Area may face slower inflation deceleration in 2025, though inflation will remain above target, ranging from 2.3% to 2.5%, while EMDEs continue higher growth (Exhibit 9).

Tight monetary policies such as higher interest rates and reduced money supply and slowing wage growth in 2024 are expected to help curb inflation. These measures are aimed at cooling down the economy and preventing prices from rising too quickly. Despite these efforts, global uncertainties (like geopolitical tensions, supply chain disruptions, or unexpected economic shocks) could still pose risks of further increases in inflation. This means that even though the trend is downward, there are still factors that could cause prices to rise again.

The World Bank anticipates that global inflation will stabilize at 2.8% YoY by 2026. This forecast aligns with the targets set by many central banks, which typically aim for low and stable inflation rates around 2%.

**Exhibit 9. Consensus Forecast for Inflation (% YoY)**



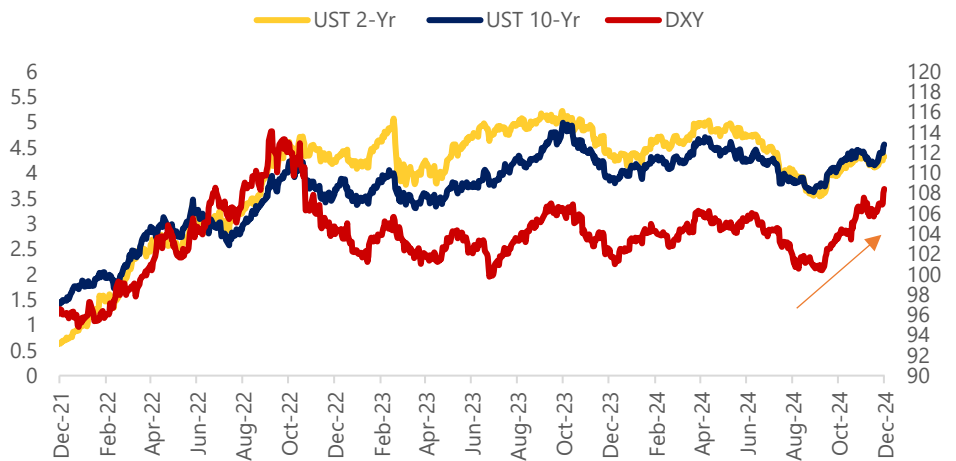
Source: Bloomberg

## Sentiment Speaks!

### U.S. Treasuries gains during global easing

Trump's imminent return to the White House has unsettled the US Treasury market trajectory (Exhibit 10). His fiscal policies may drive the federal deficit higher, potentially prompting bondholders to demand increased yields for the rising Treasury supply, while potential tax cuts and large tariffs risk reigniting inflation by increasing import costs and stimulating an already strong economy shortly after the Fed began easing rates since September 2024.

**Exhibit 10. The Trump effect pushed bond yields and the DXY upward**

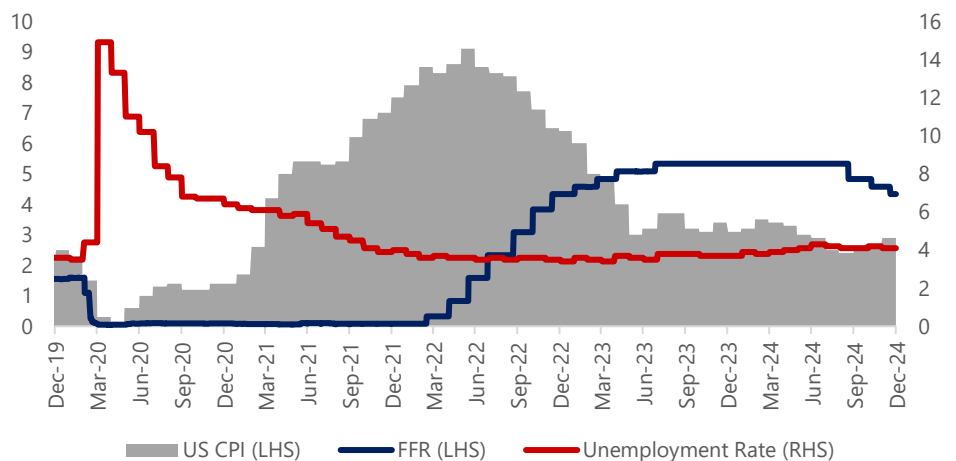


The 10-year UST yield jumped +90 bps from late September to December 2024, reflecting liquidity concerns, while the DXY also rose +7.2% amid strong USD demand.

Source : Bloomberg, MNCS Research

Proposed policies, including tax cuts and import tariffs, are raising concerns about potential inflationary pressures due to their cost-increasing effects. If this policy scenario is enacted, it could pressure the Federal Reserve to implement further rate hikes, heightening unemployment fears and driving the economy into a slowdown spiral (Exhibit 11). However, the results, in our view, will be shaped by the level of policy execution and the key targets intended. The Federal Reserve is likely to implement rate cuts, at a measured pace, bringing the terminal rate to 3.75%-4.00%.

**Exhibit 11. Inflation specter is subdued, a hike could follow**



Source : BLS, MNCS Research

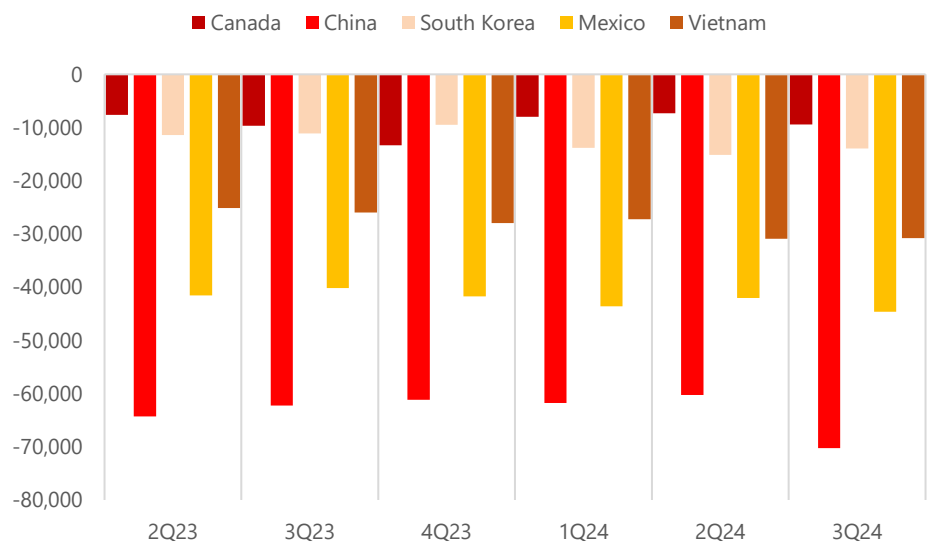
## Trump’s “Tariff” Magic Wand

Trump’s proposed tax cuts aim to extend the 2017 reforms while further reducing corporate taxes to 15% and eliminating taxes on Social Security payments. While intended to boost investment and growth, these measures could significantly widen the deficit and deepen national debt, raising concerns over long-term fiscal sustainability. In the first trade war, the first few tranches of tariff increases on Chinese goods carried the heaviest duties, at 25%.

During his campaign, Trump has proposed a blanket tariff of 10–20% on all imports, in addition to existing duties, including those under free trade agreements. He also called for escalating the 2019 partial 19% tariffs on Chinese imports to 60%. Tariff increases will likely align with tax policies to support Trump's proposed tax cuts, requiring about USD500 billion in additional revenue starting in 2026. Their timing will follow legal procedures and aim to strengthen Trump's negotiating leverage.

The chart (Exhibit 12) shows the U.S. trade balance remains heavily weighted by its deficit with China, followed by Mexico and Vietnam which are expected to face Trump 2.0 policies. We expect tariffs to be targeted mainly at intermediate and capital goods, to minimize the impact of inflation and GDP as seen on Trump 1.0 approach. The tariff policy underscores the need for strategic policy interventions to address trade imbalances, particularly with China, which will be triple by end of 2026, from the current 12% to about 37%.

**Exhibit 12. U.S. Trade Balance in Good and Services – BOP Basis**



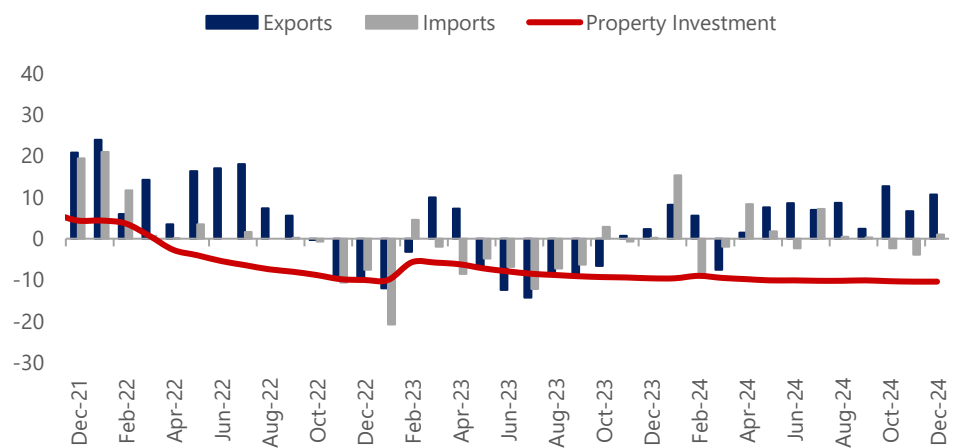
Note: Seasonally adjusted data, measured in millions of dollars.  
Source : US Census Bureau, MNCS Research

## China's exports drove growth starting in 2Q24 amid real estate slump

China's economic growth in early 2024 showed signs of recovery, primarily driven by a significant improvement in net exports. This increase in export activity helped offset the weakening domestic demand, which had been a concern in the previous year. Exports and imports both saw a rebound after a downturn in 2023, contributing positively to the overall economic performance (Exhibit 13). However, investment growth remained sluggish, with notable differences across sectors. While infrastructure and manufacturing investments remained robust (Exhibit 14), reflecting ongoing efforts to bolster these critical areas, real estate investment continued to decline due to the ongoing slump in the property sector.

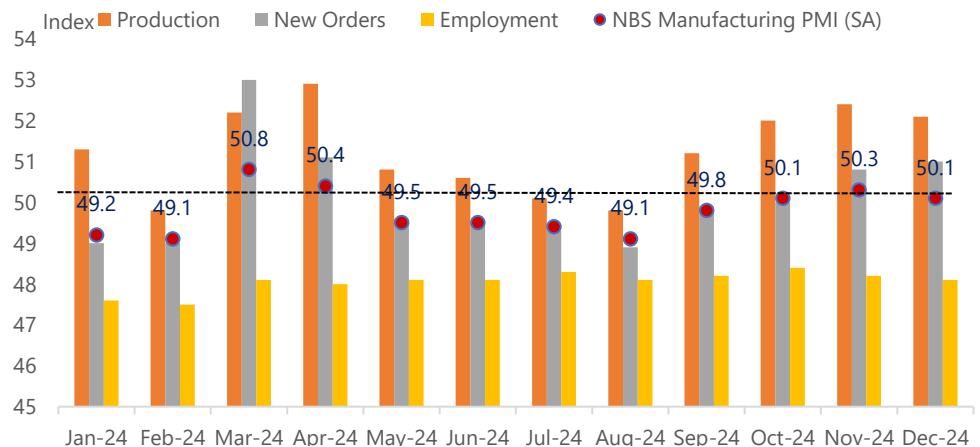
This mixed economic landscape highlights the challenges and opportunities facing China as it navigates through both domestic and global economic uncertainties. The government's proactive measures, including stimulus packages and monetary easing, are expected to play a crucial role in sustaining growth and addressing the weak demand.

**Exhibit 13. Exports growth persists while property sectors struggles**



Sources : General Administration of Customs, NBS China, MNCS Research

**Exhibit 14. China's October PMI rise signals early stimulus impact, with manufacturing rebounding after six months.**



Sources : NBS China, MNCS Research

## China leverages stimulus measures for economic recovery

China's recent stimulus measures are poised to influence emerging market stocks by enhancing investor sentiment and potentially driving capital flows into these markets. The stimulus package, China's largest since the pandemic, encompasses several broad economic supports: 1) Monetary easing, 2) Real estate support, 3) Fiscal measures, and 4) Consumption boost (Exhibit 15).

We see that while these measures could support near-term growth, long-term challenges persist, including demographic shifts and US-China geopolitical tensions affecting technology and productivity. China, burdened by a prolonged property downturn, escalating debt risks, and weak domestic demand, faces additional threats from US tariffs under Trump, who will take office in January. The United States is expected to impose nearly 40% tariffs on Chinese imports early next year, potentially reducing growth in the world's second-largest economy by up to 1 percentage point.

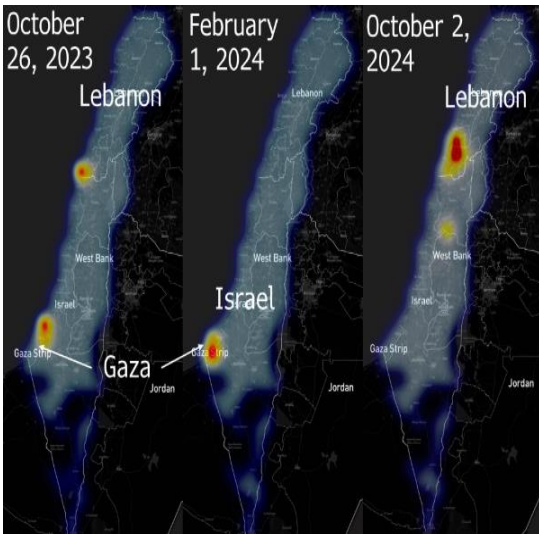
**Exhibit 15. Stimulus sparks optimism for China's growth prospects**

Policy Area	Expected Policy	Timeline	Supporting Facility
Monetary and Liquidity	Interest cut, allowing CNY1.0 trillion in additional liquidity for banks to lend	4Q24	Rate cuts: <ul style="list-style-type: none"> <li>• 50bps RRR</li> <li>• 20bps 7-day reverse repo</li> </ul>
Property Market	Easing of mortgage and down payments	Long-term	<ul style="list-style-type: none"> <li>• 50bps reduction in mortgage rates</li> <li>• 15% down payment (vs 25%) for second home buyers</li> <li>• 100% utilization (vs 60%) of the CNY300 bn relending facility</li> </ul>
Stock Market Support	Facilitate the financing of stock purchases	4Q24	<ul style="list-style-type: none"> <li>• CNY500 bn swap program for funds, insurers, and brokers</li> <li>• CNY300 bn low-cost central bank loans for share purchases and buybacks</li> <li>• Promote M&amp;As and reorganizations</li> </ul>
Fiscal Stimulus	Promoting debt relief through fiscal deficit and bond issuance	Long-term	<ul style="list-style-type: none"> <li>• Allocate CNY400 bn to local government</li> <li>• Issue CNY2.3 trillion from special government bonds</li> <li>• Expected to issue CNY6.0 trillion in treasury bonds</li> </ul>

Sources : Various sources, Bloomberg, MNCS Research

## Growing Anxiety Over Geopolitical Tensions

**Exhibit 16. Global economy at risk amid Middle East escalation**



Source : NASA, Bloomberg Economics

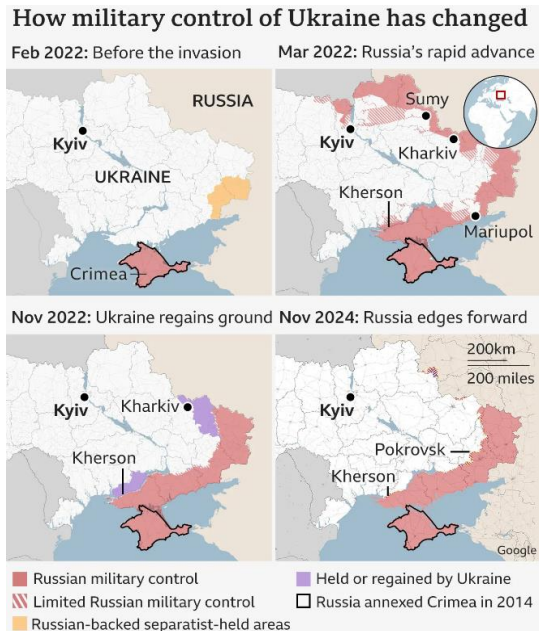
### Ceasefire prospects in the Middle East: Regional gains, global markets unfazed

While many nations, including the U.S., may favor a ceasefire in the Middle East, Washington's domestic political constraints and strategic considerations have hindered its ability to exert meaningful pressure on Israel, making such a resolution unlikely (Exhibit 16). Globally, the war's limited economic impact suggests that a ceasefire would not deliver significant market gains. However, for regional economies and their people, a ceasefire would bring crucial relief, easing disruptions and mitigating the ongoing humanitarian toll.

Meanwhile, the Russia-Ukraine war continued to escalate until late 2024, marked by Russian territorial advances, record casualties, and increased drone warfare. The conflict has disrupted global supply chains, particularly in energy and agricultural markets, driving volatility in commodity prices (Exhibit 17).

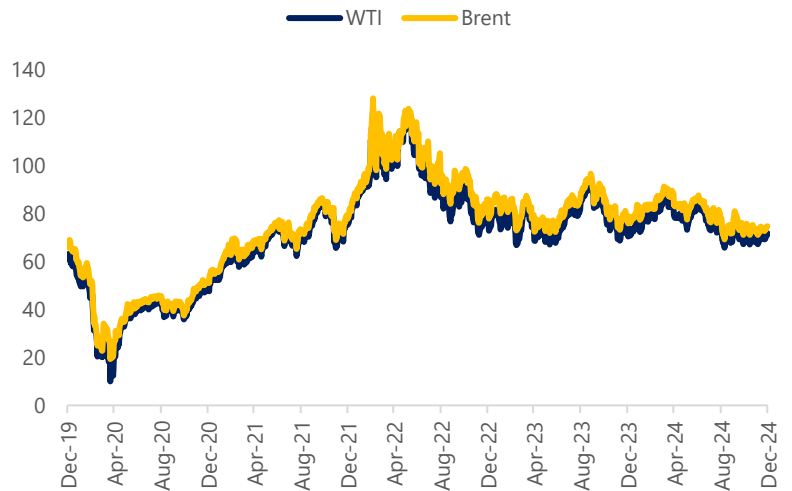
Despite wars often sparking concerns over supply disruptions, global production remained stable throughout 2024 as major producers, such as OPEC+, effectively maintained adequate output (Exhibit 18). Additionally, slowing demand globally, driven by economic downturns in areas like China and Europe, limited potential price hikes. Expanding alternative energy capacity and energy diversification efforts by various countries also eased reliance on crude oil.

**Exhibit 17. Evolving frontlines in Ukraine's military control**



Source : ISW

**Exhibit 18. Limited impact on oil prices mark 2024 compared to Pandemic years**



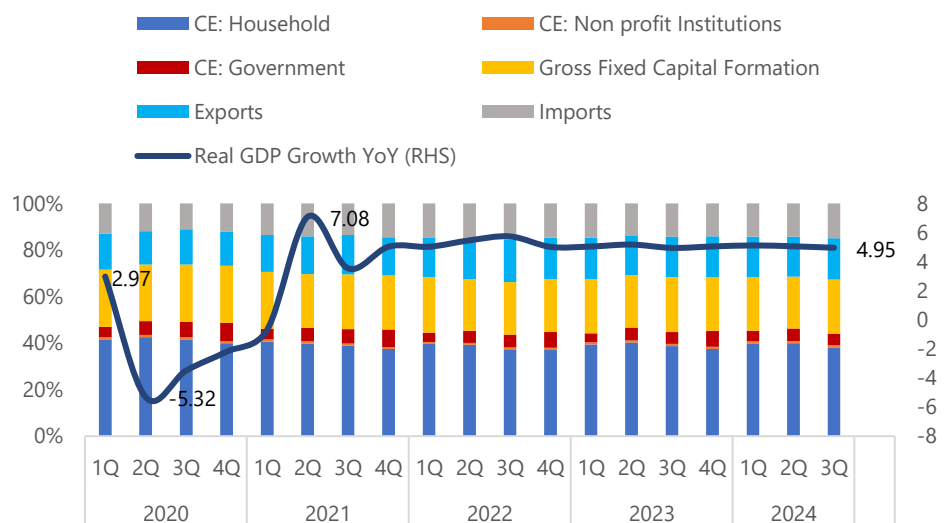
Source : Bloomberg, MNCS Research

## Domestic economy supports sustainable growth

- Indonesia's economy remained resilient in 2024 despite global headwinds, with 3Q24 growth at 4.95%, almost unchanged from 4.94% in 3Q23 (Exhibit 19). We expect a 5.01% growth for the year, with a modest uptick to 5.10% in 2025. Inflation decelerated significantly, marking eight consecutive months of decline, reaching 1.55% in November, thanks to effective monetary policies. Growth was driven by strong performance in trade, investment, and tourism, though global uncertainties continue to pose challenges.

**Exhibit 19. Household consumption as Indonesia's growth anchor**

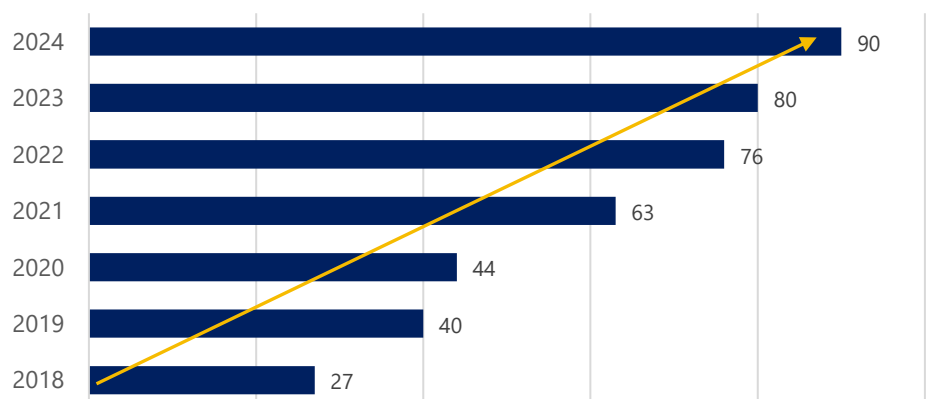
Household consumption, which accounts for 50-55% of GDP, is expected to remain stable in 2025, driven by lower BI rates, energy subsidies and social assistance. Investment, contributing 25-30% to GDP, is likely to grow through downstream commodity development, infrastructure investment, and tax incentives.



Source : BPS, MNCS Research

- The Manufacturing sector sustained growth through 1H24, though it weakened toward the year's end. Agricultural exports saw a notable surge, with palm oil shipments rising ~25% YoY in October 2024. Meanwhile, the digital economy flourished, achieving a Gross Merchandise Value (GMV) of USD 90 billion in 2024, securing Indonesia's position as Southeast Asia's top GMV market (Exhibit 20).

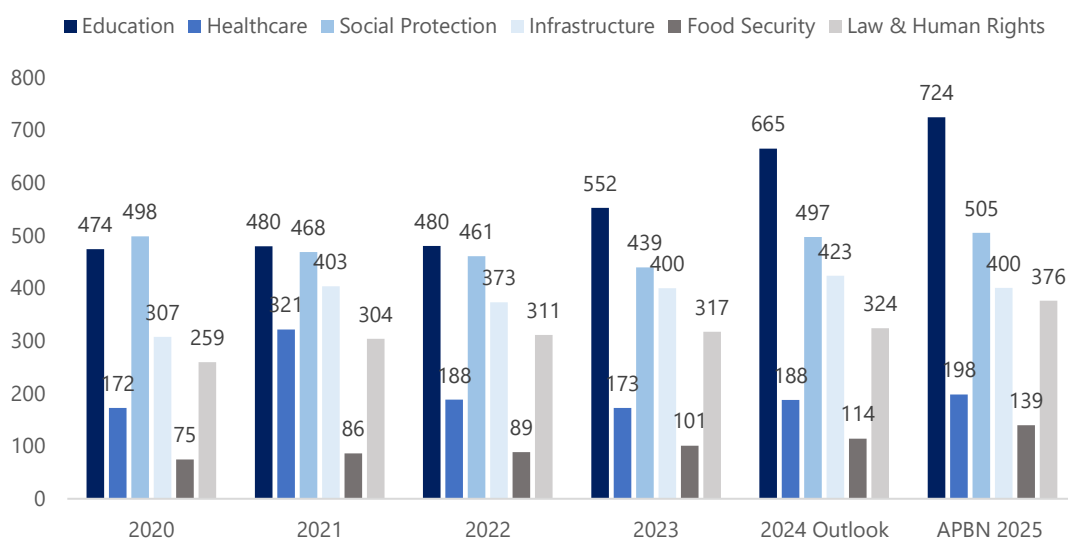
**Exhibit 20. Indonesia's digital economy expands by +13% YoY in 2024**



Source : Economysea, MNCS Research

- After being elected President, Prabowo Subianto is set to implement economic policies designed to drive national growth. His administration, known as the "Red and White Cabinet," includes 109 members, making it the largest cabinet since 1966. The new government focuses on education, healthcare, and social welfare, alongside major investments in the digital economy, renewable energy, and downstream industries, particularly agriculture and EVs (Exhibit 21).
- The fiscal deficit set for 2025 is widened to -2.53% of GDP from -2.73% in 2024 budget, driven by expansionary spending, including the Makan Bersama Gratis (MBG) program (Exhibit 22).

**Exhibit 21. Expected Growth in Education, Healthcare, and Social Protection Budgets (IDR tn)**



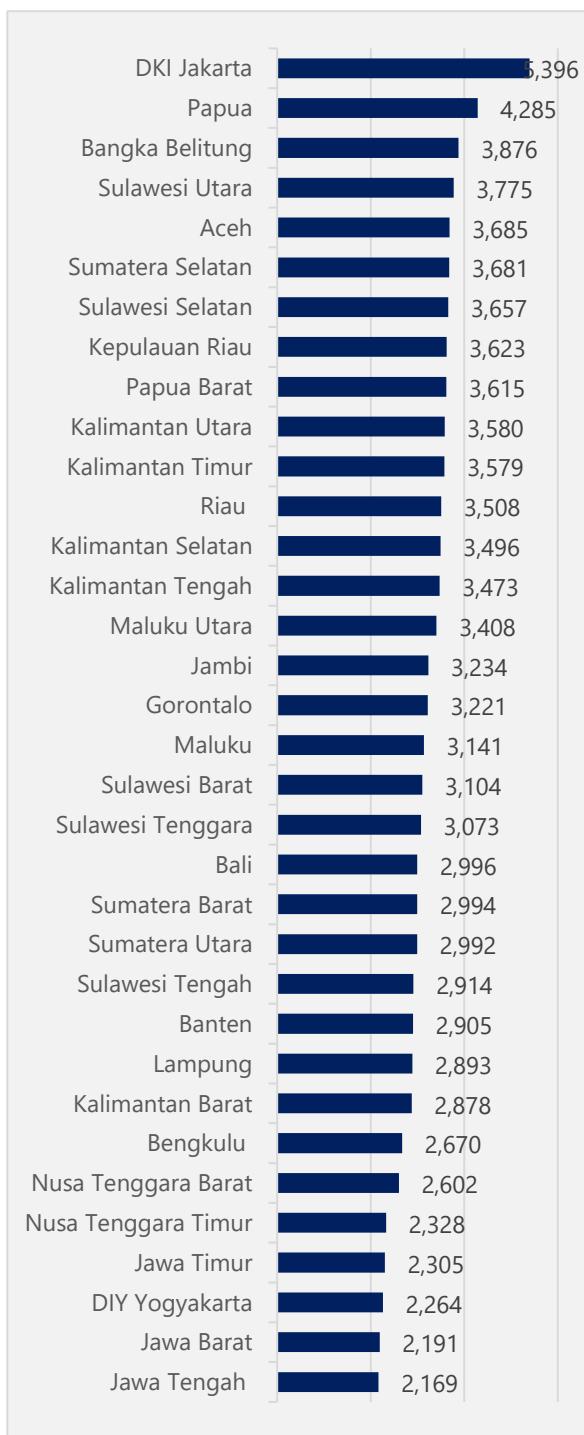
Source : Ministry of Finance, MNCS Research

**Exhibit 22. State Budget**

Budget Structure	2021 Realization	2022 Realization	2023 Realization	2024 APBN	2024 Outlook	2025 APBN
State Revenue (IDR tn)	2,011	2,636	2,761	2,802	2,803	3,005
Tax Revenue	1,548	2,035	2,155	2,309	2,768	2,491
Non-Tax Revenue	458	596	606	492	549	513.6
Grant	5	5.7	13.0	0.4	34.9	0.6
State Expenditure (IDR tn)	2,786	3,096	3,122	3,325	3,412	3,621
Central Govt. Spending	2,001	2,280	2,241	2,468	2,558	2,701
I. Line Ministries	1,191	1,085	1,154	1,091	1,199	1,160
II. Non-line Ministries	810	1,195	1,087	1,377	1,359	1,541
Regional Transfer and Village Funds	786	816	881	858	854	920
Primary Balance (IDR tn)	-432	-74	92	-25.51	-111	-63
Surplus/Deficit (IDR tn)	-775	-460	-348	-523	-610	-616
Surplus/Deficit (% to GDP)	-4.39	-2.35	-1.65	-2.29	-2.70	-2.53
Financing (IDR tn)	872	591	360	523	610	616

Source : Ministry of Finance

**Exhibit 23. Provincial Minimum Wage for 2025**



\*Note: in thousand Rupiah  
Source : Kompas

## UMP adjustment to sustain consumer demand

President Prabowo Subianto announced a 6.5% increase in the national minimum wage on Friday, November 29, 2024. This regulation provides a legal framework for adjusting minimum wages across various regions in Indonesia in the coming year. The Ministry of Manpower has officially issued Minister of Manpower Regulation Number 16 of 2024, which governs the increase in provincial minimum wages (UMP), regency/city minimum wages (UMK), and sectoral minimum wages for 2025 (Exhibit 23).

The regulation sets the 2025 provincial minimum wage (UMP) increase at 6.5% over the 2024 UMP. The same 6.5% increase applies to the 2025 district/city minimum wage (UMK) compared to the 2024 UMK. These calculations are carried out by the Provincial Wage Council. Additionally, the sectoral minimum wage must exceed the provincial minimum wage, as determined by the Governor's Decree.

## Higher income tax revenue goals for 2025

The government has set a target of IDR 313.5 trillion for income tax (PPH) Pasal 21 in 2025. This figure represents an increase of IDR 98.3 trillion, or 45.6%, from the 2024 PPh Pasal 21 target of IDR 215.2 trillion. The rise aligns with the total domestic tax revenue target for 2025 of IDR 2,433 trillion, up +8.9% YoY from the 2024 target of IDR 2,234.9 trillion (Exhibit 24).

Conversely, the government set the target for Corporate Income Tax (PPH Pasal 25/29) revenue at IDR369.95 trillion, a 13.6% decrease from the 2024 target of IDR428.59 trillion. This reduction follows the government's plan to lower the corporate tax rate from 22% to 20%, as outlined in the PMK No. 69/2024, which was enacted on October 9, 2024.

**Exhibit 24. Income Tax Revenue Allocation 2025 (IDR Tn)**

Income Tax	2024	2025	Change
PPh 21	215.21	313.51	45.68%
PPh 22	43.65	36.81	-15.67%
PPh 22 Import	74.50	75.23	0.98%
PPh 23	64.14	69.57	8.47%
PPh 25/29 Individuals	12.79	15.14	18.37%
PPh 25/29 Corporate	428.59	369.95	-13.68%
PPh 26	86.24	98.83	14.60%
PPh Final	138.12	167.20	21.05%
PPh non-oil and gas	131.12	155.69	18.74%

Source : Perpres No. 201/2024, MNCS

## ...Toward sustainable economic transformation

President Prabowo economic policies are built on five strategic initiatives designed to propel Indonesia's economic growth to 8% within the next five years. These initiatives include:

**Food Sovereignty:** Achieving food independence by reducing reliance on imports, particularly for key staples like rice. This policy aims to make Indonesia a global food supplier.

**Energy Independence:** Reducing reliance on foreign energy sources by leveraging Indonesia's abundant natural resources.

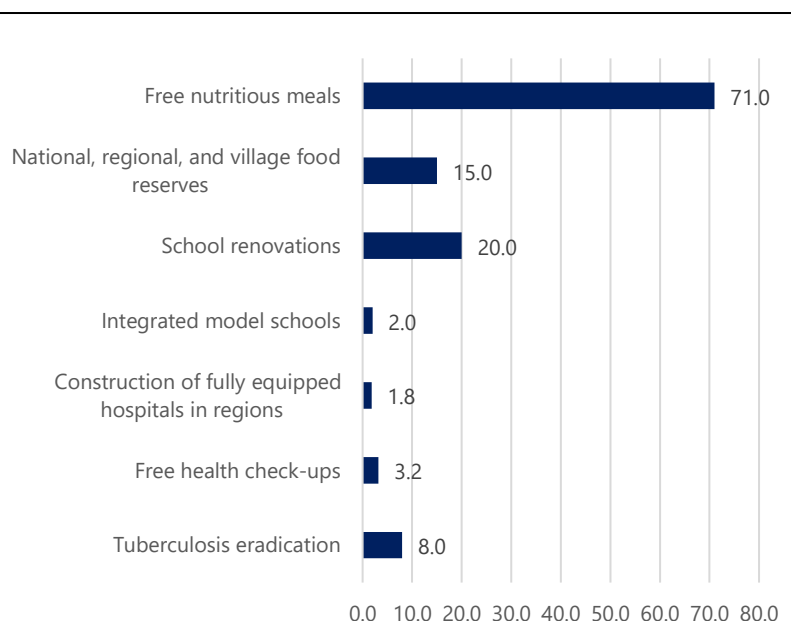
**Targeted Subsidies:** Ensuring that subsidies and social assistance are directed more effectively, utilizing digital technologies to better serve those in need.

**Poverty Alleviation:** Tackling poverty by using Indonesia's wealth to improve the living standards of the country's vulnerable populations.

**Continuing Resource-Based Industrialization:** Building on President Jokowi's policies by further promoting the processing of natural resources within the country, thus enhancing economic value.

President Prabowo launched the Quick Win 2025 program, focuses on seven priority initiatives to enhance human resources across Indonesia. This program aims to address critical challenges in workforce development and education while fostering a competitive and resilient labor force for the future (Exhibit 25). We believe the success of this program will depend on effective execution, clear timelines and accountability mechanism. At the end, strong inter-agency collaboration is vital for efficient resource allocation and alignment among ministries, regional governments, and private stakeholders to achieve goals.

**Exhibit 25. Quick Win program budget (IDR Tn)**



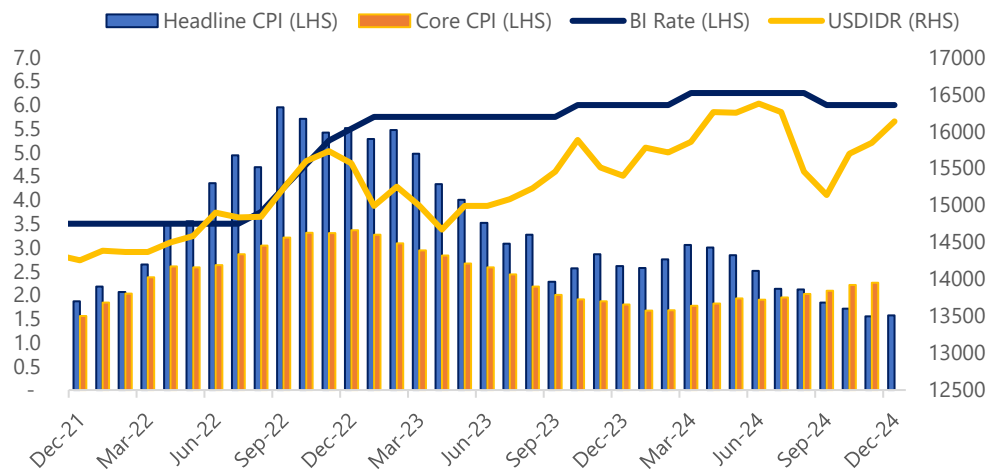
Source : Ministry of Finance

## Curbed inflation amid yield pressures

With inflation firmly within Bank Indonesia's target range, domestic public consumption is expected to remain stable. Monetary easing is likely to continue, albeit at a more measured pace than in prior cycles. As the Federal Reserve is anticipated to lower interest rates by 50 bps in 2025, Bank Indonesia may follow suit with a similar or slightly smaller adjustment. Inflation is forecasted to range between 2.20%–2.75%, driven by global oil price volatility due to heightened geopolitical tensions in the Middle East and the prolonged Russia-Ukraine war (Exhibit 26). Weather changes are expected to affect food prices, while trade policies under President Trump are likely to add to global market uncertainties.

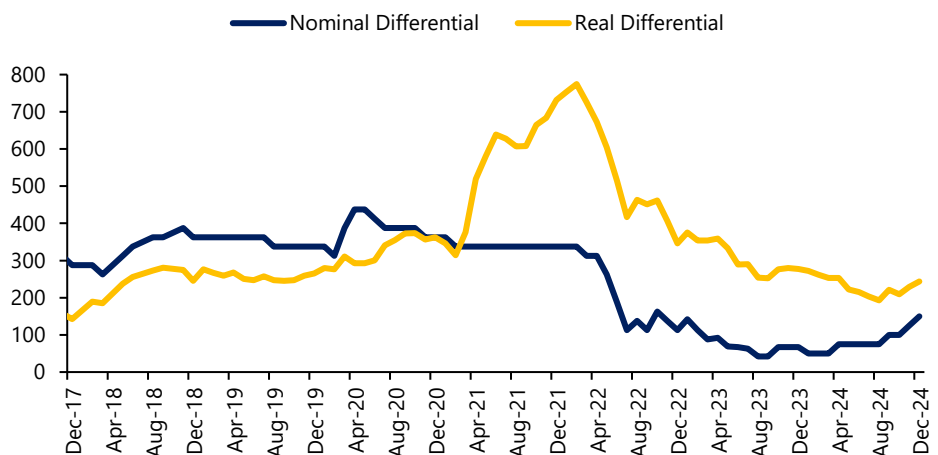
The narrowing rate differential between the US and Indonesia, driven by high US interest rates, along with the implementation of Trump's tariff measures, is expected to accelerate capital outflows from Indonesia's financial markets (Exhibit 27). We anticipate this will heighten pressure on the Rupiah and local bonds, particularly if global uncertainty over US trade policies persists.

**Exhibit 26. Inflation growth within lower bound of target range**



Source : Statistic Indonesia, Bloomberg, MNCS Research

**Exhibit 27. Converging trend in Indonesia-US yield spread**



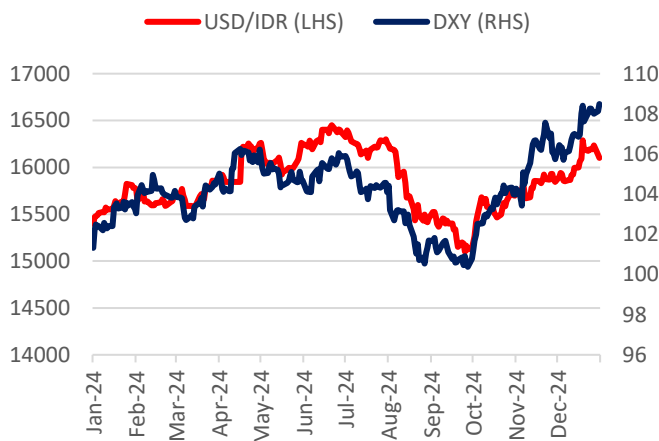
Source : Statistic Indonesia, Bloomberg, MNCS Research

## Bond Strategy

### Charting new growth paths

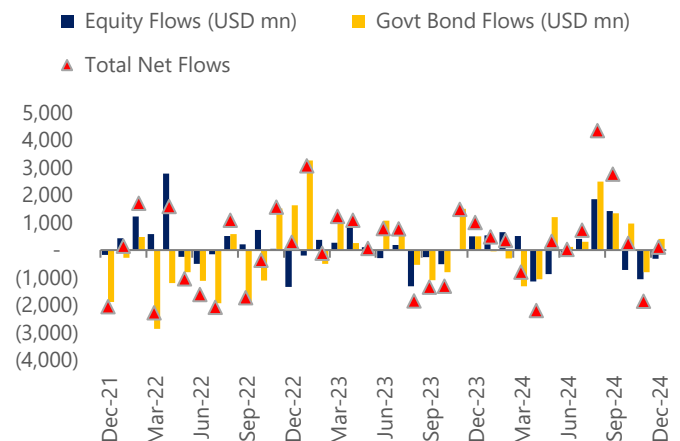
- The Indonesian Rupiah depreciated by 4.6% YTD against the USD by the end of 2024. Sustained pressure on the currency resulted from rising US Dollar demand and higher U.S. bond yields, mainly influenced by Trump's win as U.S. President-elect. Strong trends in the DXY Dollar Index and short-term U.S. bonds are expected to continue (Exhibit 28).
- The domestic bond market in Indonesia faces short-term pressure due to global factors such as ongoing geopolitical tensions, the strengthening U.S. dollar, and potential policy shifts that could drive global yields higher. Despite these challenges, Indonesia's strong economic fundamentals, support its attractiveness to global investors (Exhibit 29). We expect the 10-year government bond yield to stay within the 6.65%-6.90% range by the end of 2025.
- Despite recession warnings signaled by the 2s10s Treasury yield curve inversion from July 2022 to September 2024, the U.S. economy continued to grow (Exhibit 30). The heightened U.S. yields, fueled by factors such as inflation and budget deficits, exert pressure on Indonesia to sustain competitive yields while facing a rising bond supply.

**Exhibit 28. US Election fallout reserves Rupiah gains**



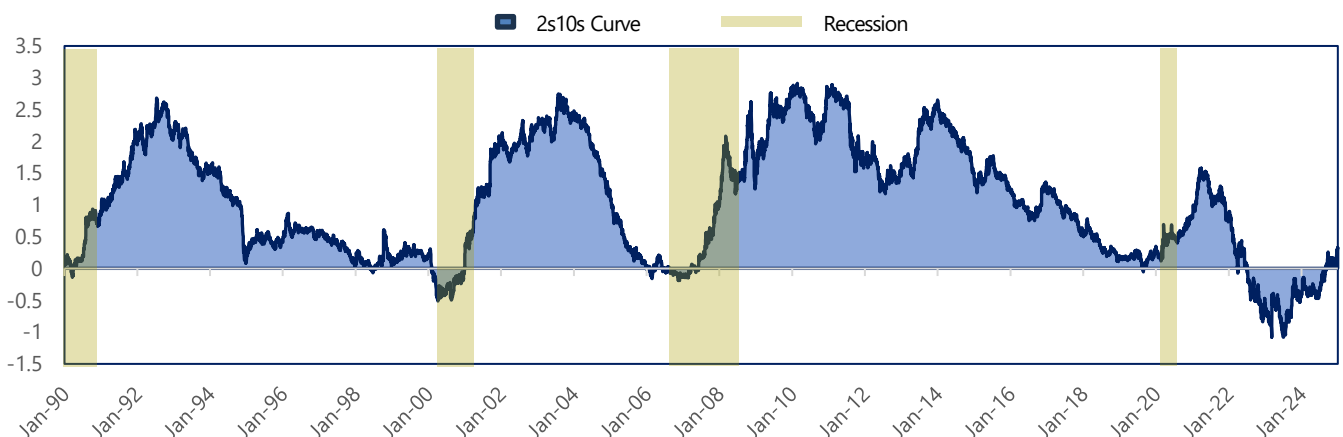
Source : Bloomberg (as of Dec 31, 2024), MNCS Research

**Exhibit 29. Foreign flows from Indo GB and Equities**



Source : Bloomberg (as of Dec 31, 2024), MNCS Research

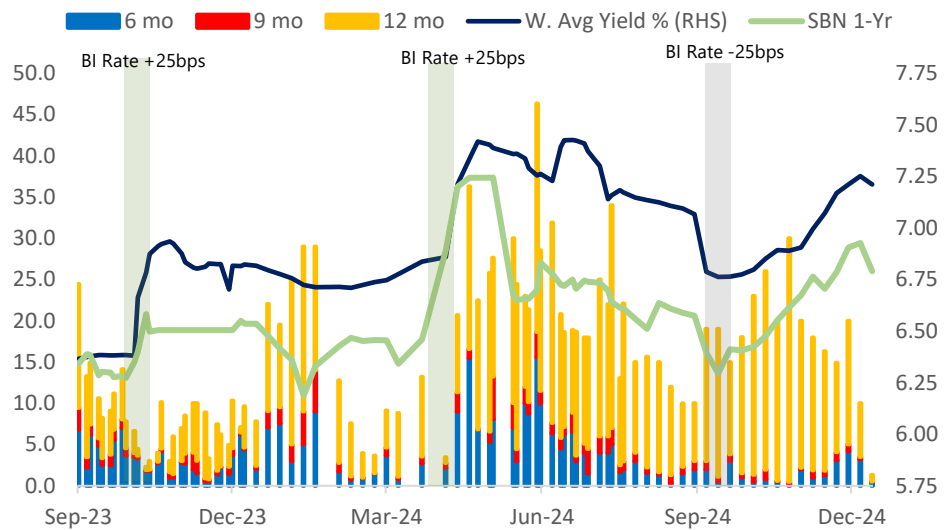
**Exhibit 30. Historical Correlation Between USR 2s10s Inversion and US Recessions**



Source : Bloomberg, MNCS Research

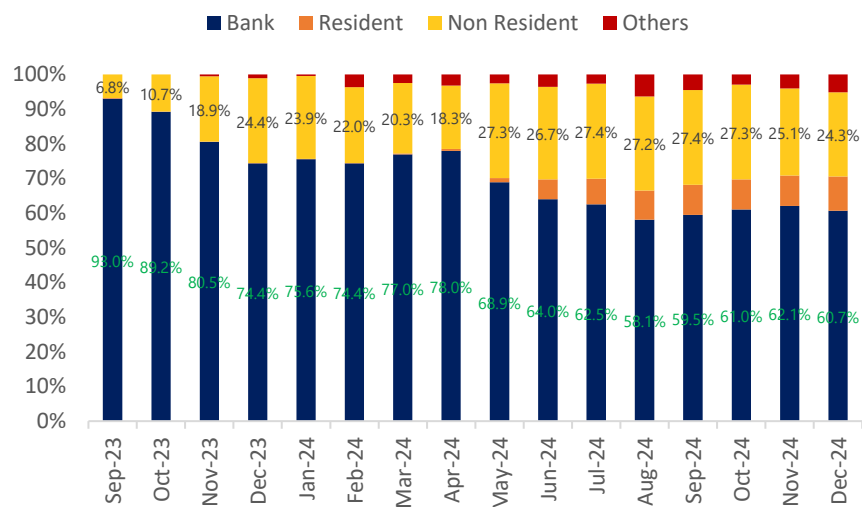
- SRBI issuance hit IDR 190.5 trillion in June 2024, offering a 1-year yield of 7.50%, surpassing the 10-year government bond yield of 7.10%. This drew foreign inflows and bank participation, pressuring the banking system (Exhibit 31). We anticipate that BI has reduced new SRBI issuance as the IDR stabilizes. The impact on banking liquidity is expected to be minimal going forward, with new issuances likely offset by maturing SRBI (Exhibit 32).

**Exhibit 31. SRBI provide higher returns than SBN yields**



Sources : Bank Indonesia, Bloomberg, MNCS Research

**Exhibit 32. Domestic Banks dominate SRBI holdings**



Sources : Bank Indonesia, Bloomberg, MNCS Research

## Yield divergences: A risk-reward analysis in emerging opportunities

While we think that the real yield offered by Indo GB in FY25E would be competitive at 4.3% (assuming an inflation rate 2.7% in FY25E) against that offered by its emerging market (EM) peers, flows could potentially be hampered if foreign flows favor the Brazilian (9.9%), South African (6.1%) real yields in FY25E (Exhibit 33). However, currency risk remains a significant factor impacting the 10-year bond yields of these countries (Exhibit 34). Another risk that could impede a potential bull run in Indonesian government bonds is a strengthening USD, fueled by inflationary concerns, particularly in the US. In addition, worries over Indonesia's debt trajectory have led to a higher risk premium. The government has set a target of IDR 642.56 trillion for debt financing through SBN in 2025, marking a 42.2% increase compared to the projected IDR 451.85 trillion in SBN issuance for 2024.

**Exhibit 33. EM's leverage real yields advantages**

Country	10Y Yield (%)	Spread	Inflation	Real Yield (%)	S&P Rating
US	4.6	0.0	2.9	1.7	AA+
China	1.7	-2.9	0.1	1.6	A+
South Korea	2.8	-1.8	1.9	0.9	AA
India	6.7	2.1	5.2	1.5	BBB-
Thailand	2.3	-2.3	1.2	1.1	BBB+
Philippines	6.1	1.5	2.9	3.2	BBB+
Brazil	14.7	10.1	4.8	9.9	BB
South Africa	9.1	4.5	3.0	6.1	BB-
Malaysia	3.8	-0.8	1.7	2.1	A-
Indonesia	7.0	2.4	1.6	5.4	BBB

Sources : Bloomberg (as of Dec 31, 2024), MNCS Research

**Exhibit 34. EM's 10-Yr Government Bond Movements (%)**

EM Countries	1D	1W	1M	YTD	3M	6M	1Y
China	-3.7	-6.1	-35.8	-88.2	-53.5	-54.6	-88.1
India	-2.5	-1.6	1.6	-42.6	4.3	-24.7	-42.6
South Africa	-0.9	0.9	17.6	-105.9	118.9	17.4	63.4
Brazil	0.0	69.1	175.5	479.8	308.2	308.2	465.3
Malaysia	0.3	-2.4	0.7	8.4	10.5	-5.6	8.4
Thailand	0.0	3.1	-16.3	-42.4	-21.9	-42.0	-42.4
Philippines	70.1	0.0	0.0	79.8	115.1	27.1	79.8
Indonesia	-3.7	-5.6	11.4	51.4	53.2	-7.7	51.4
Median	-0.5	-0.8	1.2	-17.0	31.9	-6.7	29.9

Sources : Bloomberg (as of Dec 31, 2024), MNCS Research  
\*10-Yr UST used as base

## Equity Strategy

### A. Still challenging but sound

After Donald Trump's victory in the U.S. presidential election, the JCI experienced significant turbulence. Foreign investors sold off approximately IDR11 tn worth of assets, leading to a -4.3% decline in the index since October 31, 2024, and a total drop of -9% from its all-time high. This sell-off reflected global market volatility as the Federal Reserve adopted a more hawkish stance, driven by stabilizing inflation trends. The Fed's tightening measures created ripple effects across emerging markets, including Indonesia, where economic stability has faced additional pressures.

Domestically, weak consumer purchasing power further dampened market sentiment. Indonesia's recovery remains sluggish, and the planned increase in value-added tax (VAT) to 12% in FY25E poses a challenge to macroeconomic stability. Additionally, investor concerns about a potential reduction in Indonesia's weighting in global indices, such as MSCI, have exacerbated sell-offs in the stock market. These factors combined to heighten uncertainty, contributing to the JCI's notable downturn and amplifying the challenges faced by the Indonesian economy.

**Exhibit 35. Global Index Return (%)**

	1M	3M	6M	YTD	FY24 return	1 Y return	PE (x)	PBV (x)
<b>Global Market</b>								
DJIA	-3.6%	0.4%	7.3%	0.2%	12.9%	13.1%	22.7	5.2
S&P 500	-1.9%	2.4%	5.0%	0.6%	23.3%	23.7%	24.4	5.1
Nasdaq	-1.1%	6.5%	4.5%	0.9%	28.6%	30.1%	35.5	7.2
FTSE	0.5%	1.0%	1.5%	1.8%	5.7%	8.7%	10.8	1.9
CAC	1.3%	-0.7%	-1.1%	1.5%	-2.2%	0.9%	14.7	1.9
<b>Asian Market</b>								
HSEI	-5.7%	-9.9%	9.6%	-4.5%	17.7%	19.0%	9.2	1.1
Shanghai	-6.5%	-3.1%	8.8%	-4.6%	12.7%	11.2%	13.0	1.3
Nikkei	-0.4%	-0.5%	-6.3%	-1.8%	19.2%	13.8%	21.0	2.1
STI	-0.5%	5.9%	9.7%	0.2%	16.9%	19.4%	12.1	1.3
Bursa Malaysia	-0.3%	-2.3%	-0.9%	-2.3%	12.9%	7.9%	15.3	1.5
Vietnam	-2.1%	-3.2%	-3.2%	-1.7%	12.1%	7.2%	11.7	1.7
Philippine	-3.5%	-12.4%	0.0%	-0.6%	1.2%	-0.8%	11.1	1.4
Thailand	-6.5%	-7.8%	2.3%	-3.3%	-1.1%	-4.2%	15.8	1.3
<b>Indonesia</b>								
JCI	-4.7%	-5.0%	-2.5%	0.4%	-2.7%	-1.7%	16.3	1.9
LQ45	-7.3%	-11.1%	-9.5%	-0.1%	-14.8%	-14.8%	12.0	1.7
IDX30	-7.3%	-11.5%	-7.0%	0.0%	-14.5%	-14.9%	11.2	1.7

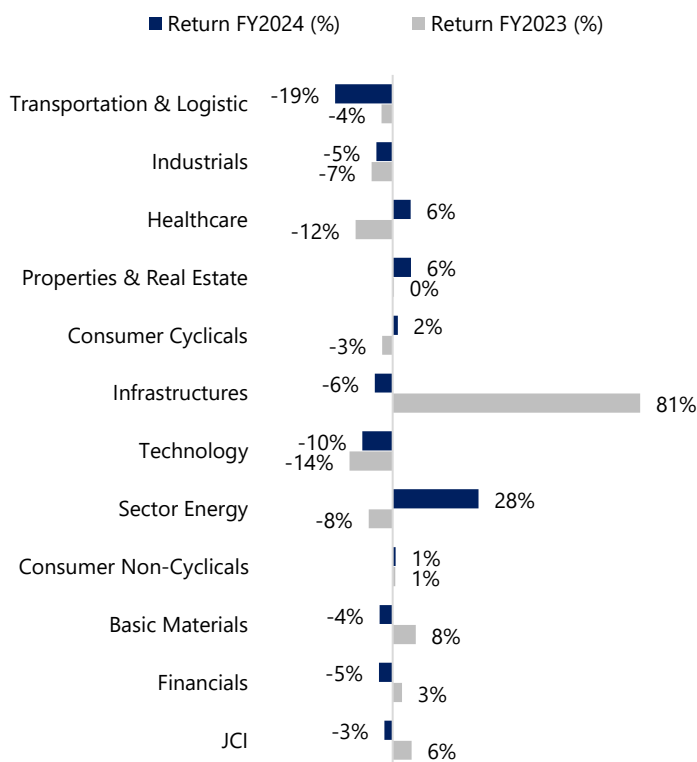
Source : Bloomberg as of Jan 09, 2025

**Global stock market celebrations over the last month of 2024.** As we wrap up 2024, the majority of global stock market indices have displayed positive performance. Notably, the US stock market witnessed a noteworthy surge, with the DJIA (+13%), S&P500 (+23%), and Nasdaq (+28%) all experiencing robust growth. Simultaneously, stock markets in other nations, such as HSEI (+18%) and Nikkei (+19%), also witnessed substantial increases. Overall, the combination of economic recovery, favorable central bank actions, sector performance, and political dynamics fostered a positive environment for global stock markets in FY24.

**Asian market also delivered higher return.** Asian markets have delivered strong returns in FY24, driven by a combination of economic resilience and strategic recovery efforts in major economies. Key contributors include China's steady rebound, supported by government stimulus and recovering consumer demand, and Japan's robust corporate earnings fueled by a weaker yen. Markets like the Nikkei and Shanghai Composite have benefitted from industrial growth and rising exports, while SEA countries such as Vietnam have gained from increased foreign investment and supply chain diversification. This overall strength underscores Asia's ability to weather global economic uncertainties, positioning the region as a growth leader in FY24.

**Indonesia did not join the celebration.** Indonesia's market performance has been one of the weakest in Asia in FY24, reflecting a series of domestic and external challenges. Unlike its regional peers, which benefitted from strong economic recovery and favorable global trends, Indonesia has struggled with weak consumer purchasing power and uncertainty over fiscal policies. The JCI plunged by -2.7% YoY in FY24. Notably, the LQ45 and IDX30 indices faced even steeper drops, indicating that blue-chip stocks are underperforming. The current PE ratios of the JCI and its sub-indices remain attractive compared to their global counterparts, but persistent headwinds, such as weak purchasing power and policy uncertainties, continue to weigh heavily on investor sentiment.

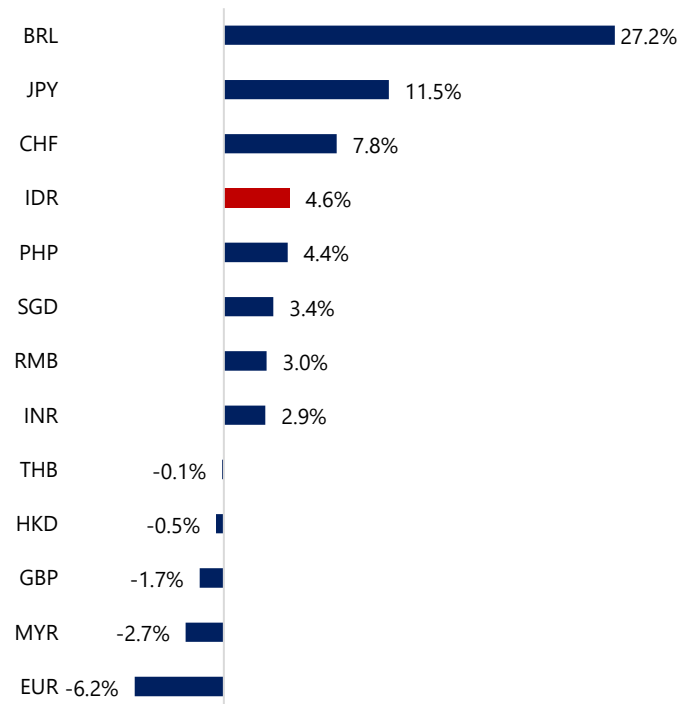
**Exhibit 36. IDX Sectoral Return**



Source : Bloomberg, MNCS Research

**Exhibit 37. IDR: weakest currencies in the region**

*\*a positive return indicates the extent of currency depreciation*



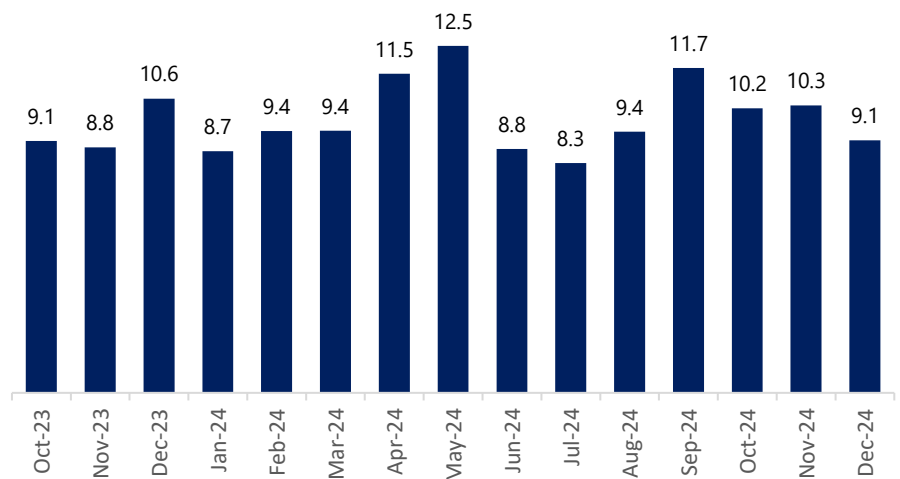
Source : Bloomberg, MNCS Research

## B. Equity market activity has primarily been supported by conglomerate stocks

The energy sector took the lead with an impressive +28% YoY in FY24. As the year drew to a close, the property and healthcare sectors started catching up. However, transportation, tech and financial sectors showed some weakness.

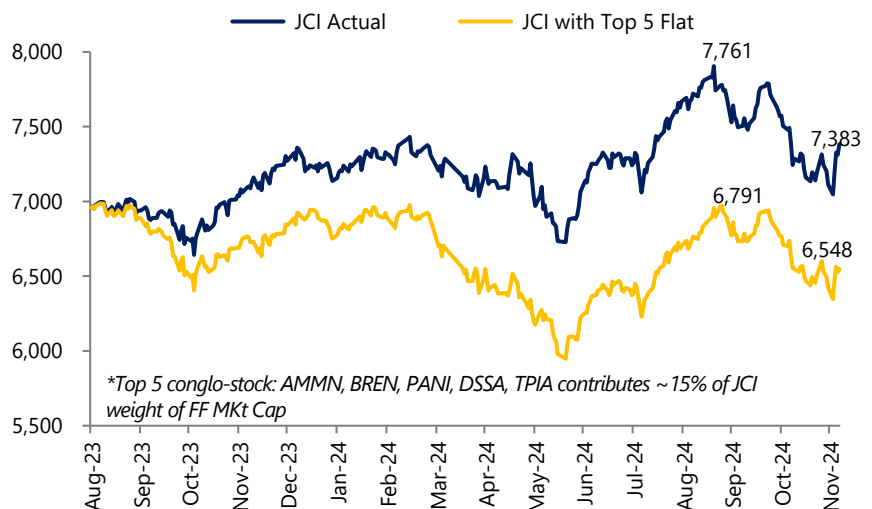
The average daily transaction value of JCI in FY24 has seen a slight increase to IDR10-11tn, up from IDR8-9tn in FY23. However, it remains relatively modest compared to IDR12-13tn in FY22. The rising influence of stocks with low free floats, which have seen substantial gains, has drawn liquidity from both local investors, especially retail, and global investors, particularly passive funds. This situation has led to distortions in the performance of the JCI and we expect that the contribution of these stocks will continue to be significant in FY25E, leading to increased volatility in the market.

**Exhibit 38. Average daily traded value in equity market (IDR tn)**



Source : Bloomberg, MNCS Research

**Exhibit 39. JCI capped adjusted free float market cap method**

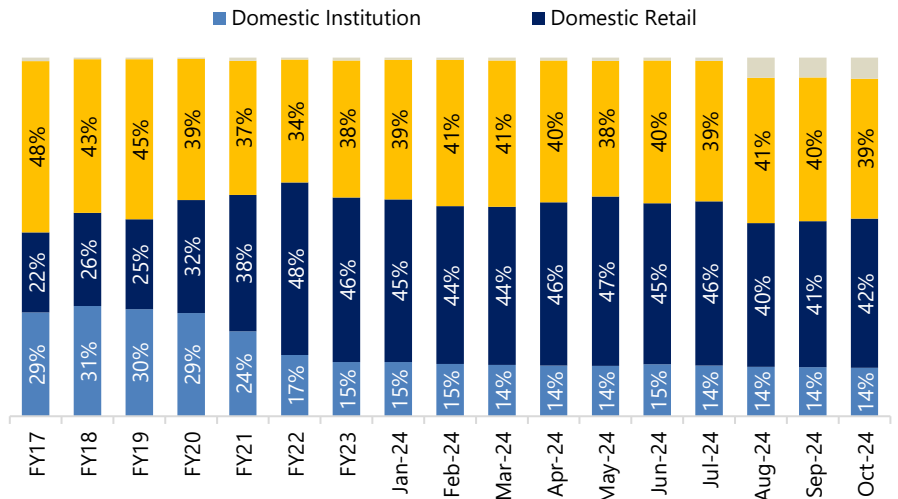


Source : Bloomberg, MNCS Research

## C. Equity Ownership by foreign institutions has recovered, yet mutual fund participation has seen a noticeable decline

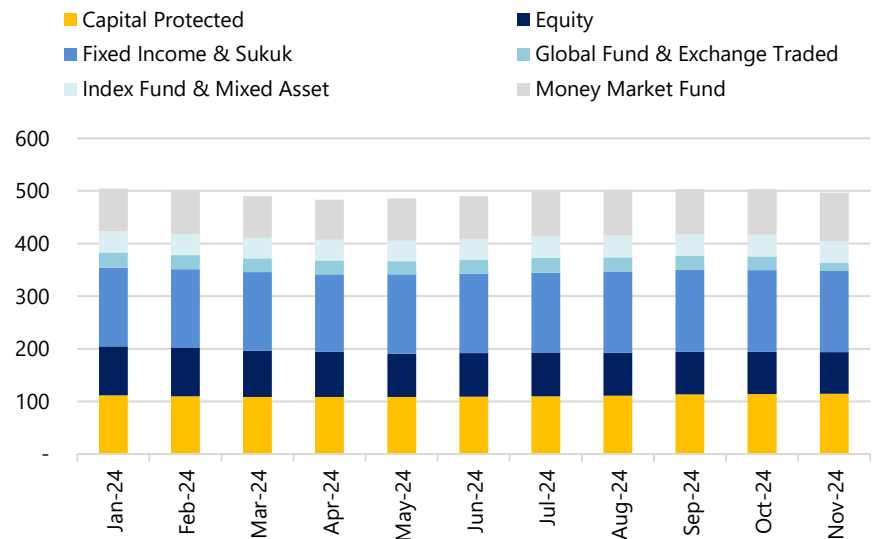
Foreign ownership has recovered to 39%-40% after reaching a low of 34% in FY22, although it is still significantly below the pre-COVID level of 42%-47%. Meanwhile, the Assets Under Management (AUM) of domestic mutual funds have been on a declining trend, especially in the Equity portion. Asset Managers are currently prioritizing investments in the money market and fixed income securities, resulting in a decline in liquidity within the equity market. Bank Indonesia's unexpected 25 bps rate cut to 5.75% in Jan-2025 aims to boost economic growth by attracting foreign capital, strengthening the JCI, and increasing the appeal of local assets.

**Exhibit 40. Equity ownership trends pre & post-COVID, highlighting the rise in domestic retail participation**



Sources : KSEI, MNCS Research

**Exhibit 41. AUM Domestic Mutual Fund (IDR tn)**



Sources : OJK, MNCS Research

Despite significant sell-offs by foreign investors in October and November 2024, the JCI still posted a net foreign buy of IDR16.5 tn, reflecting the equity market's continued appeal to foreign investors. In contrast, other Asian markets, including the Philippines, Taiwan, Thailand, and Malaysia, experienced YTD net foreign outflows. Foreign investor participation in the Indian stock market also dropped sharply during October and November 2024, as its high P/E ratio of 23x made it appear overvalued, particularly compared to the Chinese market, which became more attractive following stimulus measures aimed at boosting domestic economic growth.

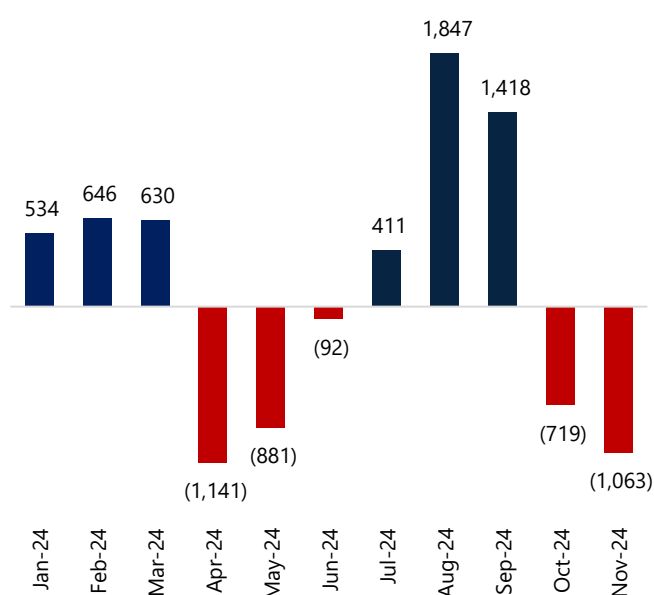
Net foreign outflows from the JCI have reached nearly IDR15tn in Nov-2024 amid muted domestic catalysts following the election of U.S. President Trump, who is more focused on protectionist policies. Weak consumer spending and the upcoming VAT hike to 12% in FY25F are adding macroeconomic headwinds. Investor concerns over a potential downgrade in Indonesia's weighting in major indices, particularly MSCI, have further intensified the sell-off pressure on the IHSG.

**Exhibit 42. Foreign Equity Flow (USD mn)**

USD mn	India	Indonesia	Korea	Philippines	Taiwan	Thailand	Malaysia	Japan	EM Asia ex. China
2024	-1,271	1,279	2,426	-408	-19,548	-3,824	-942	1,624	-21,347
2023	21,427	-353	10,705	-863	6,933	-5,507	-514	29,092	31,827
2022	-17,016	4,267	-9,665	-1,245	-44,007	5,960	1,096	2,350	-60,610
2021	3,761	2,688	-23,010	-5	-15,604	-1,632	-767	29,827	-34,568
2020	23,373	-3,220	-20,082	-2,513	-15,257	-8,287	-5,782	-65,727	-31,767
2019	14,234	3,465	924	-240	9,377	-1,496	-2,683	-28	23,582
2018	-4,617	-3,656	-5,676	-1,080	-12,231	-8,913	-2,885	-50,284	-39,060

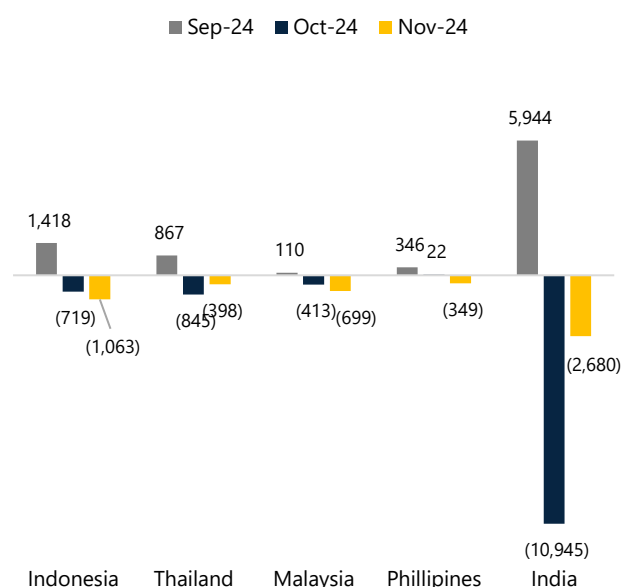
Sources : Bloomberg, MNCS Research

**Exhibit 43. JCI Monthly Fund Flows (USD mn)**



Source : Bloomberg

**Exhibit 44. Regional Fund Flows (USD mn)**



Source : Bloomberg

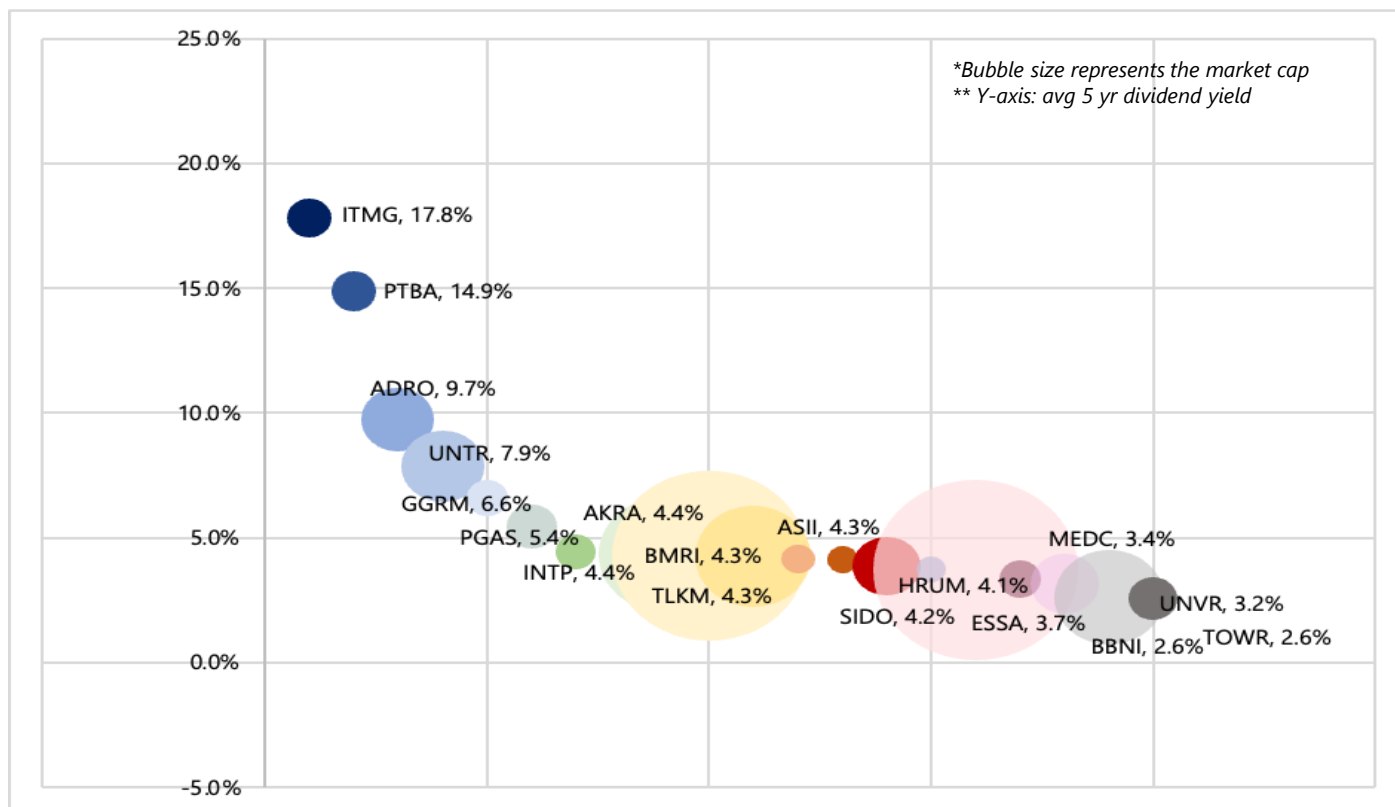
The sectors that saw substantial net inflows were basic materials and healthcare, while the financial and technology sectors experienced significant foreign outflows. These large outflows weighed on large-cap stocks in Nov-24, as increased uncertainties in emerging markets following Trump's victory coincided with a lack of domestic catalysts. We expect limited top-down catalysts in the near term but see this weakness as an opportunity to look for high-quality stocks that are trading at a discount.

**Exhibit 45. JCI Foreign Flow by Sector (IDR bn)**

IDR bn	Jan-24	Feb-24	Mar-24	Apr-24	May-24	Jun-24	Jul-24	Aug-24	Sep-24	Oct-24	Nov-24	YTD
Basic Materials	902	(545)	(562)	349	5,007	3,992	2,468	(402)	(297)	612	(570) ↑	10,952
Consumer Cyclical	627	848	1,071	94	(312)	783	100	41	729	(249)	(575) ↗	3,156
Consumer Non-Cyclical	(187)	157	1,152	(94)	(1,495)	128	818	1,086	1,915	1,065	(566) ↗	3,978
Energy	99	(784)	830	468	296	371	767	966	1,027	(149)	(768) ↗	3,124
Financials	7,179	10,281	9,427	(12,182)	(14,974)	(3,471)	2,330	2,661	267	(8,182)	(13,133) ↓	(19,798)
Healthcare	(675)	345	(46)	(3,702)	158	3,774	332	142	17,097	205	(277) ↑	17,353
Industrials	(2,481)	21	39	(674)	(1,169)	(35)	(226)	250	991	388	592 ⇒	(2,305)
Infrastructures	3,073	1,856	(1,821)	(2,444)	(1,402)	(352)	324	(177)	467	(20)	(1,132) ⇒	(1,627)
Properties & Real Estate	(42)	59	102	(295)	(252)	(113)	256	14	471	(2,786)	(78) ⇒	(2,666)
Technology	(119)	(387)	(274)	101	(50)	(6,551)	(519)	(22)	(777)	(2,189)	(289) ↘	(11,078)
Transportation & Logistic	(43)	(30)	(11)	10	(15)	(3)	(9)	2	24	12	(35) ⇒	(99)

Sources : Bloomberg, MNCS Research as of Nov 28, 2024

**Exhibit 46. Average high dividend yield of the top 20 LQ45 stocks over the past 5-years**



Sources : Bloomberg, MNCS Research

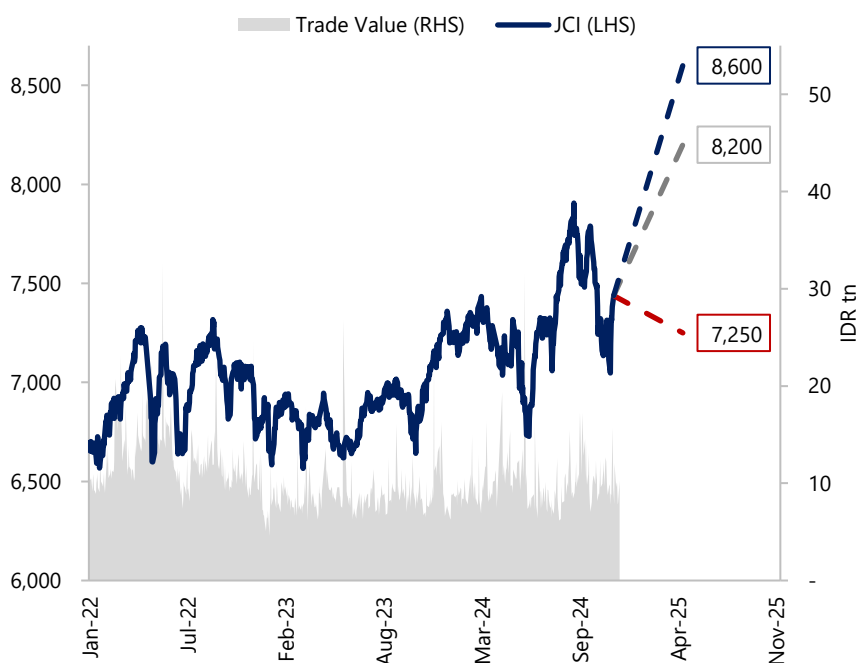
## D. JCI Base Case: Target set at 8,200

We combined top down (macro-model) and bottom up (our coverage) analysis. Our macro-sensitivity analysis has shown that GDP affect both EPS and JCI significantly ( $p < 0.05$ ). **Under the scenario of GDP growth at 5.10%, the implied EPS growth will be +5.7% and end-year FY25E JCI fundamental base target at 8,200 (13.6x PE) or translating into 8% upside potential.** Meanwhile our bear scenario at 7,250 (EPS -4%, PE 12.0x) and bull scenario at 8,600 (EPS +8%, PE 14.2x).

The earnings expectation is largely contingent on the Federal Reserve's decision on interest rates and whether Bank Indonesia will align its rates to avert a recession. Anticipating the banking sector to be the primary driver with a 13% growth in EPS for FY25E, we also expect higher figure of the healthcare, retail and property sectors in the coming year.

JCI valuations are currently attractive, with most sectors trading below their five-year averages, some even more than -1STD. We believe that improvements in ROE are primarily driven by stable dividend payouts, projecting a **dividend yield of 4.0% in FY25E**. Historically, cuts in interest rates tend to trigger a re-rating of valuations.

**Exhibit 47. JCI Target FY25E**



Sources : MNCS Research

## E. How DXY Movements Impact MSCI EM and MSCI Indonesia Returns

The US Dollar Index (DXY) plays a critical role in shaping the performance of emerging markets (EM) and Indonesian equities, as measured by the MSCI Emerging Markets Index (MSCI EM) and MSCI Indonesia Index. A strengthening DXY typically reflects a stronger US dollar, which can lead to capital outflows from emerging markets as investors seek safer assets in developed economies. Our analysis shows that a 1% increase in the DXY Index correlates with an average 2.0% decline in MSCI EM returns and a 0.9% drop in MSCI Indonesia, underscoring Indonesia's vulnerability to global currency and capital flow dynamics.

Conversely, a weakening DXY often signals a more favorable environment for EM assets, as it makes local assets more attractive to foreign investors and reduces the burden of dollar-denominated debt. Historically, during periods of a 2% decline in the DXY, MSCI EM has gained approximately 1.5%, while MSCI Indonesia has seen an average increase of 2.3%. Looking ahead to FY25E, we anticipate further interest rate cuts, supported by stable inflation and resilient U.S. labor market conditions, which could alleviate dollar strength. This environment may strengthen the Rupiah to the IDR15,650 range, potentially providing a tailwind for MSCI EM and MSCI Indonesia returns.

**Exhibit 48. Trend of DXY and MSCI EM & MSCI Indonesia Return**

During periods of USD weakness					During periods of USD strength				
Start Period	End Period	DXY Change	MSCI EM Change	MSCI Indo Change	Start Period	End Period	DXY Change	MSCI EM Change	MSCI Indo Change
Mar-03	Jun-03	-9.6%	20.1%	34.3%	Jul-08	Sep-08	9.4%	-20.9%	-17.5%
Sep-04	Jan-05	-7.4%	23.7%	33.5%	Sep-08	Oct-08	12.3%	-47.9%	-33.2%
Aug-07	Nov-07	-7.8%	22.1%	40.8%	Dec-08	Mar-09	8.9%	-17.4%	-6.0%
Nov-08	Dec-08	-7.8%	19.5%	24.6%	Aug-11	Sep-11	6.1%	-11.0%	-7.9%
Mar-09	Jun-09	-9.5%	61.5%	61.7%	Oct-14	Jan-15	11.4%	-8.0%	5.8%
Aug-10	Nov-10	-7.7%	19.9%	14.4%	Oct-15	Jan-16	5.3%	-26.7%	1.3%
Dec-10	Apr-11	-9.3%	12.6%	7.9%	Sep-16	Jan-17	7.1%	2.7%	-3.5%
Jan-16	Apr-16	-6.5%	31.6%	6.4%	Mar-18	Sep-18	6.0%	-18.3%	-7.2%
Apr-17	Sep-17	-9.7%	10.9%	4.9%	Jan-20	Apr-20	2.8%	-32.2%	-34.5%
Jun-20	Jan-21	-7.5%	18.6%	24.9%	May-21	Oct-22	25.5%	-31.7%	22.0%
Oct-22	Jan-23	-9.7%	8.4%	-0.4%	Jul-23	Oct-23	3.5%	-7.2%	-5.6%
Oct-23	Dec-23	-4.4%	10.1%	1.3%	Dec-23	Apr-24	4.7%	1.9%	0.7%
Apr-24	Sep-24	-5.0%	5.4%	3.6%	Sep-24	Nov-24	5.8%	-3.3%	-11.4%
<b>Average</b>		<b>-7.8%</b>	<b>20.3%</b>	<b>19.8%</b>	<b>Average</b>		<b>8.4%</b>	<b>-16.9%</b>	<b>-7.5%</b>
<b>Median</b>		<b>-7.8%</b>	<b>19.5%</b>	<b>14.4%</b>	<b>Median</b>		<b>6.1%</b>	<b>-17.4%</b>	<b>-6.0%</b>

Sources : Bloomberg, MNCS Research

## F. Sector rating and stock selection

Indonesia's monetary policy is expected to provide only limited impetus for market re-rating, with a forecasted 75bps reduction in Bank Indonesia's policy rate through FY25E. The room for further dovish action remains constrained, contingent on a flattening U.S. Treasury yield curve and appreciation of emerging market currencies. In the near term, the US dollar is likely to be buoyed by the policies of the newly elected U.S. President Trump, although longer-term expectations suggest bearish implications for the dollar. In contrast, fiscal policy is projected to play a more prominent role in driving economic growth in 2025. Government spending priorities focused on grassroots development are set to support domestic demand, though the ambitious revenue collection targets and tax reforms may exert short-term pressure on growth. Over the long term, however, these structural reforms should bolster Indonesia's fiscal position, addressing its relatively low tax-to-GDP ratio.

Private capex is expected to see a marked uptick in 2H25, driven by government initiatives aimed at stimulating domestic demand. The investment landscape will remain largely bottom-up in the near term, with a focus on stocks exhibiting strong earnings turnaround, robust double-digit earnings growth, and balance sheet improvements, all trading at attractive multiples. From a sectoral perspective, consumer staples, healthcare, and financials are poised to be the primary growth drivers for FY25E with their valuations remaining compelling, particularly as both price-to-earnings and price-to-book ratios sit below historical norms. Dividend-yielding stocks are expected to remain attractive, providing stable returns amidst a projected single-digit earnings growth environment and declining interest rates.

Our strategic stock picks include **BBCA, BRIS, BSDE, JPFA, HEAL, DSNG, STAA, dan ANTM**. These stocks represent a diverse array of sectors, each well-positioned to capitalize on specific macroeconomic trends. Notably, the valuation landscape across key sectors—telecommunications, basic materials, consumer staples, and automotive—remains attractive, with price-to-earnings multiples hovering around one standard deviation below their five-year historical averages. While financials are trading slightly above their historical price-to-book ratios, their favorable growth outlook justifies the premium. Conversely, commodities continue to lag the broader market, with earnings expected to remain under pressure throughout FY25E and into FY26E.

## Automotive Neutral

### Diverging Trends, EV Incentives, and Toyota's Strategic Moves

#### Challenges: Lower Purchasing Power and Slower Sales

The 4W industry is currently facing a downward trend in purchasing power. 4W sales have underperformed expectations, prompting Gaikindo to revise its target to 850k units for FY24E (down from the previous 1.1 million units). Over the past decade, 4W sales have shown a declining trend, from 2013 to 2023 (refer to [Exhibit 01](#)). For instance, in FY23, the Toyota Avanza Veloz, as the best-selling model, experienced a price increase of over 50% since FY13. Meanwhile, per capita income has only grown by 34.1% during the same period. This disparity has elevated 4W prices, pressuring purchasing power and making consumers more selective when choosing vehicles.

#### Strong 2W Sales Driven by New Launches and Automotive Exhibitions in 2024

Unlike the 4W segment, 2W sales have been relatively resilient, reaching 5.4 million units from January to October 2024, equivalent to ~85% of the FY24 target of 6.3-6.4 million units. This growth is supported by numerous new product launches and a series of automotive exhibitions such as IIMS, Pekan Raya Jakarta, GIIAS, IMOS, and GJAW, which concluded this year's exhibition calendar. AISI targets 2W sales to reach 6.7 million units in FY25F, driven by technological and design innovations evident in FY24 performance.

#### Toyota's Bold Strategy: Expanding Production and Advancing BEV Technology

As one of the largest market shareholders, Toyota has announced an ambitious plan to produce 3 million units annually in China by 2030, compared to ~1.7-1.8 million units in FY23. This bold strategy contrasts with the approach of other global automakers, including some Japanese manufacturers who have scaled back or exited the Chinese market. Toyota has announced a new battery electric vehicle (BEV) factory slated to start production in 2026, featuring innovative models powered by advanced battery technologies. These include: 1) Performance (Lithium-ion): Offering over 800 km range, available in 2026; 2) Popularization (Lithium Iron Phosphate): Cost-effective with a 2026-27 launch; 3) High-Performance (Lithium-ion): Over 1,000 km range, aimed for future models. Toyota's solid-state batteries, offering faster charging and greater efficiency, are set for mass production by 2027/28, focusing on BEVs. The company plans to sell 3.5 million BEVs by 2030, with 1.7 million powered by these advanced batteries.

#### EV Incentives and VAT Hike: Challenges and Opportunities for the 4W Market in FY25F

Despite weak 4W sales in FY24, the government plans to provide incentives exclusively for electric vehicles (EVs) in FY25F. This is expected to positively impact EV sales, while conventional vehicles may face challenges from the VAT increase to 12% in FY25F. The government aims to accelerate its net zero emissions goal for 2060. This policy presents challenges for the 4W market amidst declining purchasing power and limited incentives. Some manufacturers have advocated for hybrid vehicle incentives; however, no further updates are available. We maintain expectations for 4W sales to recover to 1 million units in FY25F, contingent on government efforts to normalize purchasing power and manufacturers introducing more attractive products.

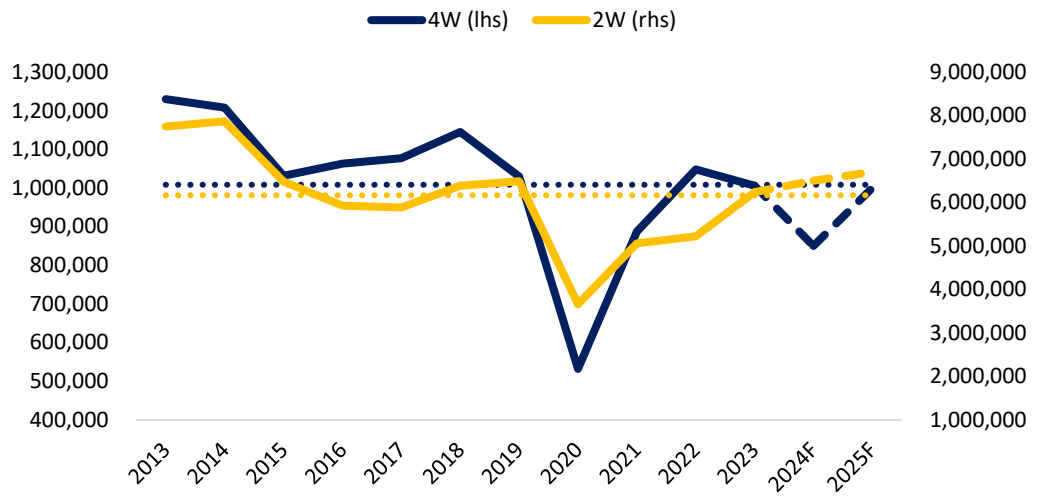
#### Recommendation: Neutral with Top Pick AUTO (BUY, TP : IDR2,700)

We change our recommendation to Neutral on the automotive sector given: 1) The slow recovery of purchasing power; 2) Rising vehicle prices driven by inventory uncertainty and commodity price fluctuations. Downside risks: USD/IDR rate, rising inflation and interest rates.

Ticker	Mkt Cap (IDR tn)	P/E (x)		P/B (x)		Rec	TP (IDR/Sh)
		FY24E	FY25F	FY24E	FY25F		
ASII IJ	200.8	6.6	6.3	0.8	0.7	HOLD	5,350
AUTO IJ	11.2	6.8	6.0	0.8	0.8	BUY	2,700

**Exhibit 49. The trend of 2W and 4W sales in 2013-2025F**

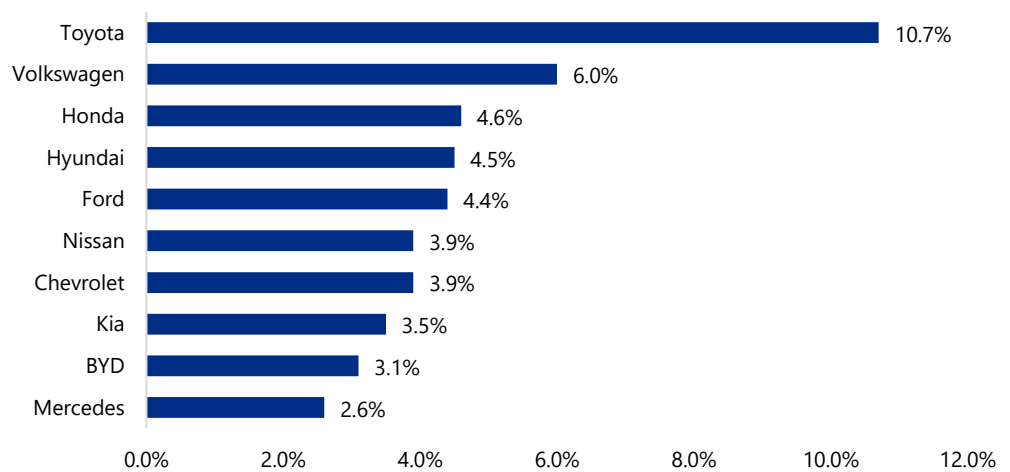
4W sales in 2024 are expected to be below the 10-year average, while 2W sales remain relatively resilient. However, it is anticipated that 4W sales will return to the 1 million unit level in 2025F



Sources : Gaikindo, MNCS

**Exhibit 50. Market share of global automotive brands in 2023**

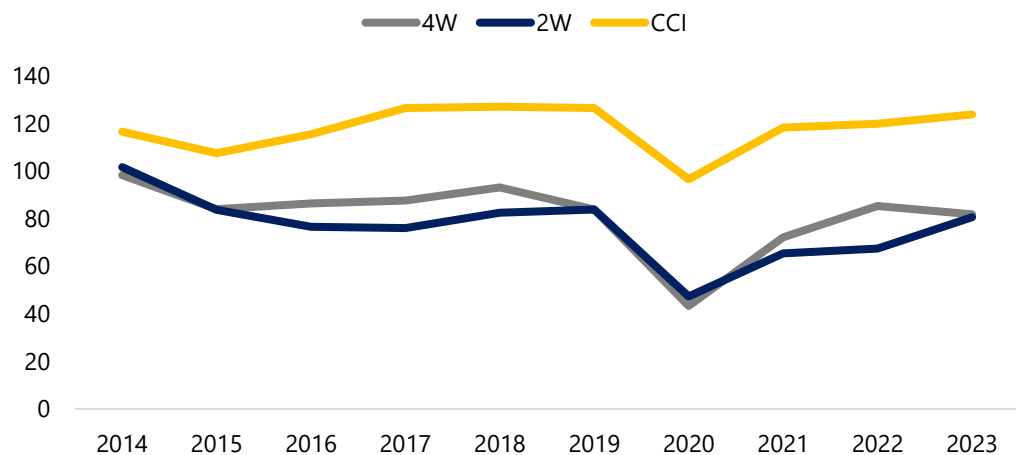
Toyota has started to acknowledge BYD as a notable competitor in global car sales



Sources : Statista, MNCS Research

**Exhibit 51. The trend CCI, 4W and 2W sales in 2014-2023**

The trend in vehicle sales is relatively aligned with the Consumer Confidence Index (CCI)



Sources : Gaikindo, MNCS Research

Exhibit 52. Toyota's battery technology roadmap

	TODAY 2023	NEXT-GENERATION 2026		FURTHER EVOLUTION 2026-2027		
	Battery for bZ4X	Performance	Popularisation	High-Performance	Solid-State 1	Solid-State 2
		Monopolar		Bipolar		
Electrolyte type	Liquid			Solid		
Chemistry	Li-Ion		LiFePO <sup>*1</sup>	Li-Ion		
Driving range (WLTP)	500km	> 800km	> 600km	> 1,000km	> 1,000km	> 1,200km
Cost	-	-20% vs bZ4X	-40% vs bZ4x	-10% vs NG performance version	TBD	TBD
Fast charge time <sup>*2</sup>	~30 min.	~20 min.	~30 min.	~20 min.	~10 min.	TBD

<sup>\*1</sup> Lithium iron phosphate <sup>\*2</sup> SoC = 10-80% NOTE: Established driving range includes aerodynamic and vehicle weight improvements

Sources : Toyota, MNCS Research

Exhibit 53. Toyota's ambitious efforts to compete with Chinese manufacturers

CARSCOOPS
LATEST NEW CARS SCOOPS EL

REPORT

## Toyota Wants To Build Up To 3 Million Cars A Year In China By 2030

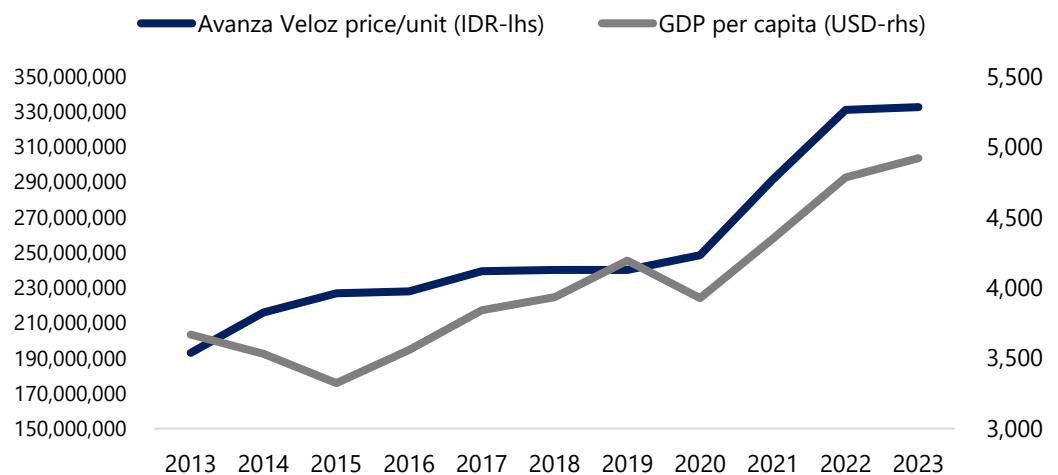
Teams in China will be tasked with leading the development as they better understand local preferences

BY BRAD ANDERSON NOVEMBER 11, 2024 AT 08:25

f
🗨️
📧
🐦
📌

Sources : Carscoops, MNCS Research

Exhibit 54. The trend of car prices in relation to Indonesia's GDP per capita from 2013 to 2023



Sources : MNCS Research

## Banking Overweight

### Indonesian Banks: Navigating Growth, Liquidity, and Market Pressures

#### Robust loan growth amid tight liquidity conditions

The average loan growth in our universe was recorded at 13.7% YoY in 9M24, led by BMRI (20.8%), BRIS (15.3%), and BBCA (14.6%). In contrast, BBNI and BBRI experienced high single-digit growth, which was lower than the industry average of 10.9%. Despite the increase in loans, liquidity in the market remains tight. TPF grew an average of 8.4% YoY, slightly higher than industry average of 7.0% YoY. Notably, the growth of third-party funds fell short of loan growth, indicating a tighter liquidity environment. The banking sector's LDR reached 86.5%, with the top three SOE banks at 88-95%. We anticipate the LDR will continue to rise further in FY25E as loans grow higher than deposits. Liquidity conditions are expected to remain constrained despite the anticipated decline in benchmark interest rates. This is further pressured by SRBI products, which offer a more attractive yield of 7.0% compared to traditional banking products.

#### Notable recovery and an anticipated slight uptick in NIM improvement for FY25E

Despite challenges from high interest rates and tight liquidity, BBCA and BMRI maintained stable NIM growth, while BBNI and BBRI showed notable QoQ NIM recovery. We expect NIM to improve significantly in FY25E, rising by 3-5bps, due to the potential trend of a 25bps rate cut in 4Q24 and 50bps in FY25E. This should support an earnings acceleration to 11.3% YoY in FY25E, bolstered by stronger loan growth and modest NIM expansion.

#### Minimal Impact on Banks from MSME Debt Forgiveness

Regarding Government Regulation (PP) No. 47 of 2024, signed by President Prabowo on debt forgiveness for MSMEs, we expect minimal impact on the banking sector. The regulation outlines the forgiveness of debts for 1 million MSMEs in agriculture, livestock, and fisheries, with caps set at IDR300mn for individuals and IDR500mn for business entities. We believe the direct effect on banks will be limited, as these debts are already written off and removed from their balance sheets. While BBRI has faced some negative sentiment from this news, we believe there is no direct impact on its earnings figures. If there is any effect, it is expected to be minimal, translating to an estimated effect of only 0.5%-1% on FY25E net profit, suggesting a limited long-term effect on BBRI's earnings. However, we believe loan forgiveness will be helpful if it is well-targeted and carefully implemented for customers who truly need it, so that they can reapply for loans and improve MSME businesses in the future.

#### Risks Loom as Elevated Selling Pressure Persist

Uncertainty surrounding rate cuts, escalating geopolitical tensions, and pressure on the Rupiah post-U.S. elections, which has nearly reached IDR16,000/USD, have significantly weighed on the Indonesian market. The total outflow from our coverage universe reached IDR15tn on a MoM basis as of November 21, 2024. This pressure has also weighed on the MSCI Indonesia Index, which declined by -6.1% MoM, with the banking sector accounting for 60.2% of the drop. Given the absence of substantial positive catalysts, we expect selling pressure on the JCI to persist in the near term. While the banking sector's fundamental performance remains robust, investor sentiment may remain subdued due to the external macroeconomic environment, keeping the outlook for the broader market cautious.

#### Maintain Overweight Outlook with selective stocks

We maintain our **Overweight** rating on the banking sector despite near-term volatility. In our view **BBCA** tends to be a safer option during more volatile markets given to its solid fundamental. Meanwhile, we continue to like **BRIS** which benefit from a strong growth outlook, improving asset quality, steady NIM and lower levels of foreign ownership. Risk to our call: 1) slower-than- expected economic recovery; 2) rising NPL due to weaker economic growth; 3) an unexpected hike in the BI rate.

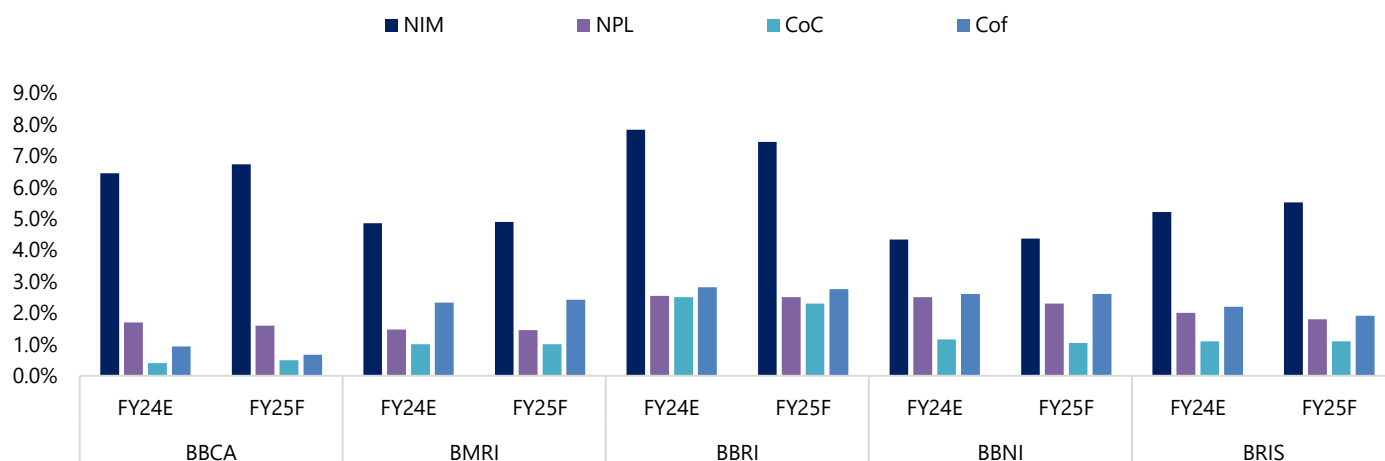
Ticker	Mkt Cap (IDR tn)	PBV (x)		PE (x)		Rec	TP (IDR/Sh)
		FY24E	FY25F	FY24E	FY25F		
BBCA IJ	1,214.3	5.2	4.7	27.8	24.6	BUY	11,300
BBRI IJ	644.1	2.6	2.4	14.4	13.2	BUY	5,800
BMRI IJ	574.0	2.0	1.8	11.3	10.0	BUY	6,800
BBNI IJ	176.0	1.4	1.3	10.5	9.4	BUY	5,400
BRIS IJ	124.1	3.6	3.4	23.8	20.3	BUY	3,450

**Exhibit 55. 9M24 Key highlights for Big Banks**

Key Highlights	BCA	BBRI	BMRI	BBNI	BRIS
Net interest income (Rp bn)	61,100	105,756	74,603	29,439	370,722
Net interest income YoY growth (%)	9.5%	4.5%	3.8%	-5.5%	15.9%
Loan YoY growth (%)	14.5%	8.2%	20.8%	9.5%	15.3%
Net interest margin (%)	5.8%	7.7%	5.1%	4.2%	5.6%
Total Operating Income (Rp bn)	80,100	147,088	106,696	46,275	16,513
Operating Expense (Rp bn)	26,800	61,574	39,837	20,989	7,994
CIR (%)	33.5%	41.9%	37.3%	43.8%	49.0%
PPOP (Rp bn)	53,200	87,510	66,859	25,287	8,519
PPOP YoY growth (%)	14.6%	10.5%	7.2%	-3.6%	7.6%
Total Provision (Rp bn)	2,900	29,464	9,533	5,389	1,746
Annualized credit cost (bps)	44	290	80	98	87
Net profit (Rp bn)	41,100	45,362	42,017	16,308	5,107
Net profit YoY growth (%)	12.8%	2.8%	7.6%	3.5%	21.6%
NP Result (FY24E MNCS Estimates)	In line	In line	In line	In line	Above
Key Balance Sheet Data (Rp bn)					
Total Assets	1,434,000	1,961,916	2,323,991	1,068,080	370,722
Gross Loans	877,000	1,353,356	1,589,835	735,018	267,067
CASA deposits	915,000	874,231	1,231,369	541,194	185,827
Third Party Funds	1,125,000	1,362,419	1,667,497	769,739	301,221
Key ratio					
Loan growth (%)	14.5%	8.2%	20.8%	9.5%	15.3%
TPF growth (%)	3.4%	5.6%	14.9%	3.0%	14.9%
LDR (%)	67.4%	89.2%	92.1%	95.3%	88.6%
CASA ratio (%)	82.2%	64.4%	73.8%	70.3%	61.7%
Cost of funds (%)	1.1%	3.7%	2.1%	2.7%	2.5%
NIM (%)	5.8%	7.7%	5.1%	4.2%	5.6%
Gross NPL (%)	2.1%	2.9%	1.1%	2.0%	2.0%

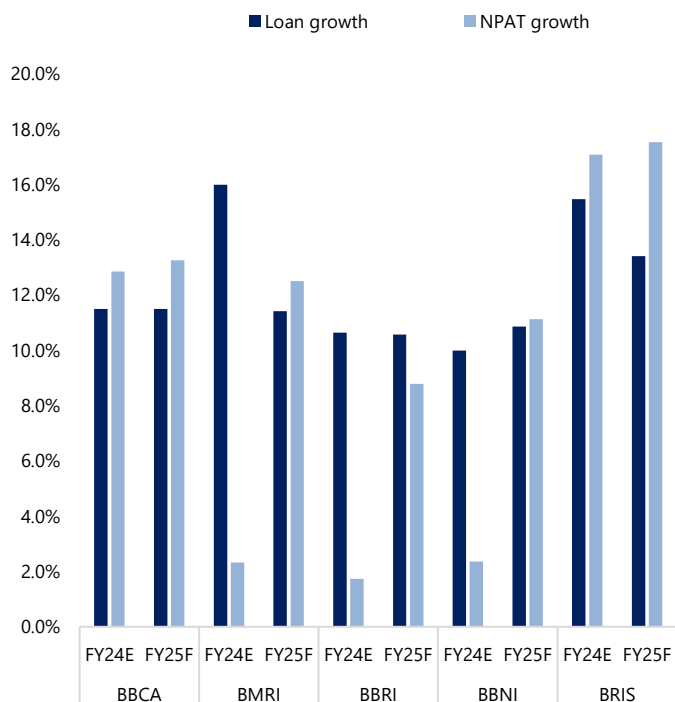
Sources : Companies Data, MNCS Research

**Exhibit 56. NIM sees a slight increase, NPL remains stable, CoC stays manageable, and Cof is expected to decrease**



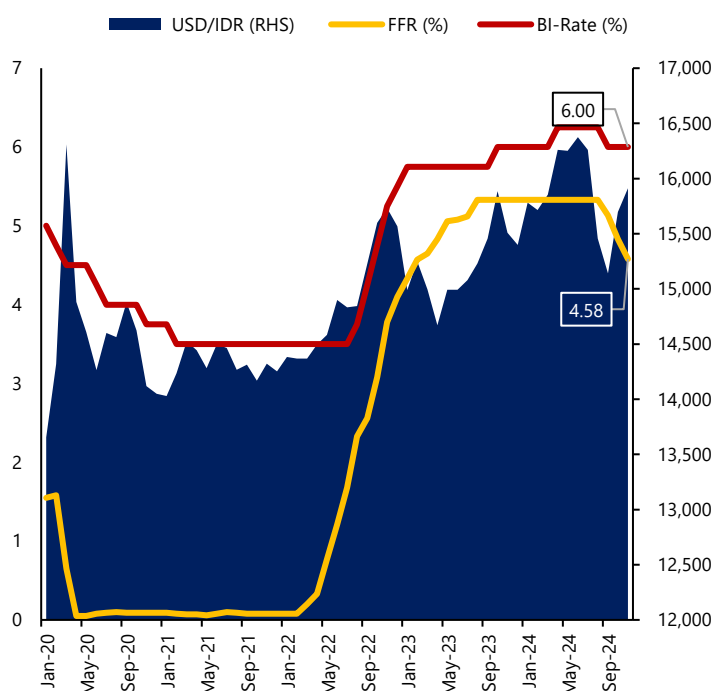
Sources : Companies Data, MNCS Research

**Exhibit 57. Loan & NPAT to grow double digit**



Sources : Bloomberg, MNCS Research

**Exhibit 58. IDR weakens as hopes of Fed rate cuts fade**



Sources : Bloomberg, MNCS Research

**Exhibit 59. Significant outflows hit the banking sector from Oct-24 to Nov-24 due to challenging macroeconomic conditions**

IDR Bn	Jan-24	Feb-24	Mar-24	Apr-24	May-24	Jun-24	Jul-24	Aug-24	Sep-24	Oct-24	YTD
BBCA	2,825.5	2,285.0	589.2	(2,081.6)	(2,376.4)	1,634.4	3,233.6	464.6	1,088.5	(1,172.9)	6,489.9
BBNI	200.1	1,248.2	92.8	(762.3)	(837.8)	(202.3)	(843.5)	(54.3)	1,401.8	355.4	598.0
BBRI	874.2	3,392.0	1,054.7	(8,771.7)	(7,907.1)	(4,703.0)	(1,044.9)	(639.5)	(3,690.5)	(5,929.7)	(27,365.5)
BMRI	2,399.7	2,756.3	120.2	(987.1)	(3,735.0)	(896.5)	517.3	2,774.2	161.1	(1,184.5)	1,925.8
BRIS	494.2	194.0	356.7	91.6	(208.0)	336.5	56.2	33.5	865.0	(250.4)	1,969.3

Sources : Bloomberg, MNCS Research

## Cement Neutral

### Challenges Hindering Business Recovery

#### Bulk sales grew by 9.2% YoY, while domestic cement sales saw slight growth of 1.4% YoY

The domestic cement market grew modestly by 1.4% YoY in Oct-24, driven by a recovery in bulk volumes (+9.2%). However, the bag market weakened by -1.6% YoY. Demand remains supported by Kalimantan, driven by the development of the new capital city (IKN), which grew by 16.8% YoY. Meanwhile, demand in Central Java was relatively strong due to increased volumes from Semen Grobogan, which grew by 14.6% YoY. However, demand in other regions has not recovered, such as in Sumatra (-0.9% YoY), East Java (-3.8% YoY), Sulawesi (-12.1% YoY), and East Indonesia (-6.4% YoY). It is expected that demand will slow down through the end of FY24 due to regional elections and the La Niña period.

#### Bull Scenario: The 3 Million Houses Program and IKN will absorb domestic demand

The government plans to launch a 3 million housing program in FY25F, which the Indonesian Cement Association (ASI) estimates will require an additional 5.8 million tons of cement. However, the program's implementation faces challenges due to a budget cut in the 2025 state budget (RAPBN) to IDR 400.3 trillion (down from IDR 422.7 trillion in FY24), potentially impacting overall demand. The cement sector is also grappling with oversupply, operating at only 56% capacity utilization, underscoring the need for a moratorium on new factory construction to maintain balance.

Although the housing initiative has the potential to stimulate growth, its impact is expected to be limited in the first year. The recovery of manufacturers will largely depend on government policies regarding infrastructure budgets and industry support. The IKN project may continue, though at a slower pace, keeping bulk orders stable. SMGR, as a government partner, may benefit more, but it remains uncertain if margins and ASP will create a favorable outcome for all stakeholders. Meanwhile, INTP is likely to maintain its market share, supported by Semen Grobogan's contributions to its demand.

#### Bear Scenario: Cost pressures and competition fighting brands

Although there potential for better volume, we still see risks and believe sales volume may remain flat in FY24F due to several challenges faced by industry players, including: 1) Geopolitical issues and the depreciation of the USD/IDR, which will raise energy and packaging costs; 2) Higher rainfall expected in FY25F. We foresee relatively flat blended ASP in FY25F, as competition among fighting brands will likely remain intense to maintain market share. ASP may remain within the IDR840-880k/ton range.

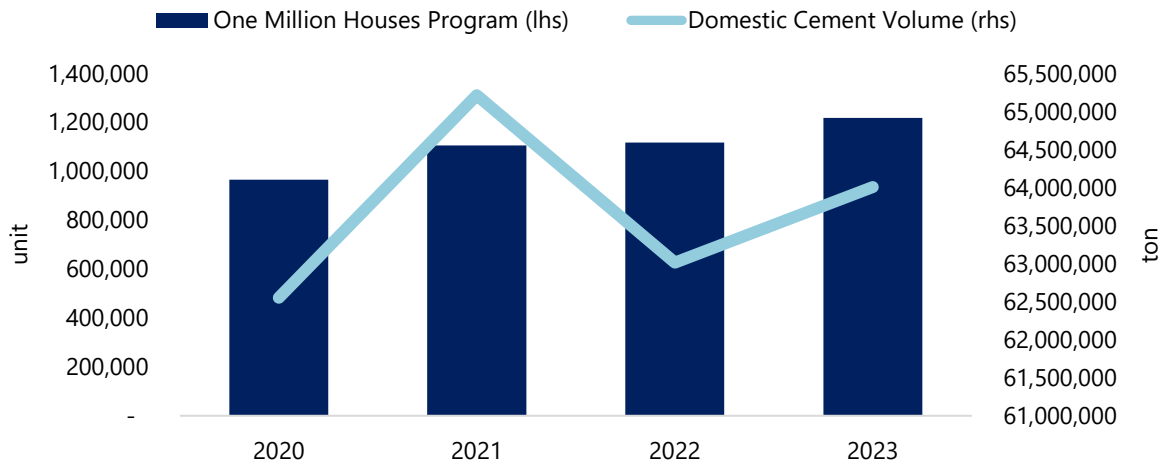
Additionally, the government will impose a 2.4% tax on individuals who build their own homes in FY25F. This is outlined in the Minister of Finance Regulation No. 61/PMK.03/2022 concerning Value Added Tax on Self-Built Housing (PPN KMS). We believe this will also exert pressure on domestic cement volume. We remain confident that the cement sector will remain challenging in FY25F, and therefore, we cannot expect growth to be truly solid. We still foresee domestic demand staying in the range of 65-66 million tons for FY25-FY26F, despite some catalysts emerging to boost national cement demand.

#### Neutral Recommendation for the Cement Sector

We maintain the recommendation **NEUTRAL** outlook for the cement sector in FY25F. We anticipate possibilities of margin-chipping commodity prices, whilst being wary of the state of the construction companies' balance sheet which could dampen the sales performance of domestic cements. Our top picks are SMGR (HOLD; TP: IDR3,700) and INTP (HOLD; TP: IDR7,800). Risk to our call: 1) weaker demand; 2) ODOL and carbon tax policy; 3) change in DMO regulation.

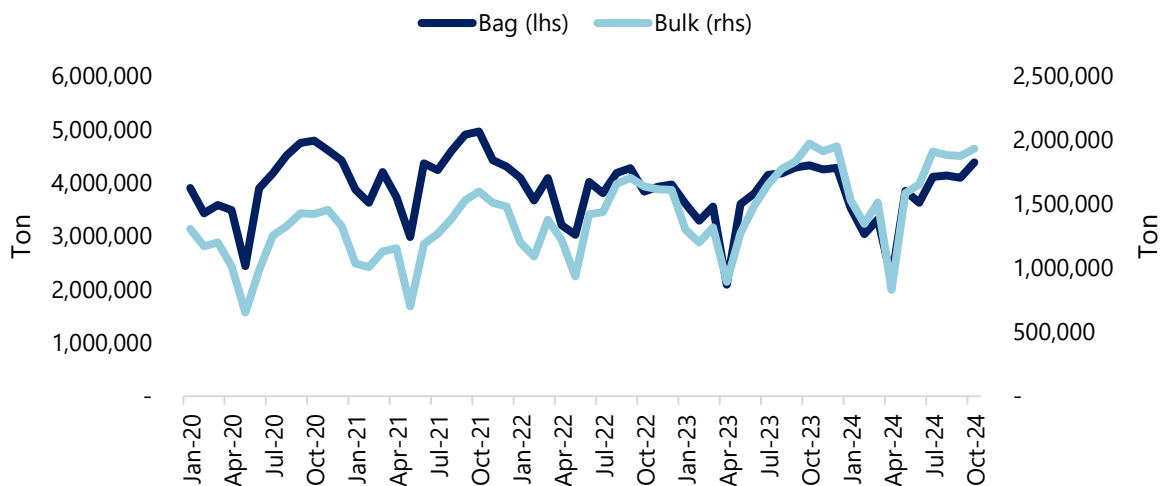
Ticker	Mkt Cap (IDR tn)	P/E (x)		P/B (x)		Rec	TP (IDR/Sh)
		FY24E	FY25F	FY24E	FY25F		
SMGR IJ	24.8	16.1	16.4	0.6	0.5	HOLD	3,700
INTP IJ	25.5	16.9	15.8	1.1	1.2	HOLD	7,300

**Exhibit 60. The trend of domestic cement volume & one million houses program in FY20-FY223**



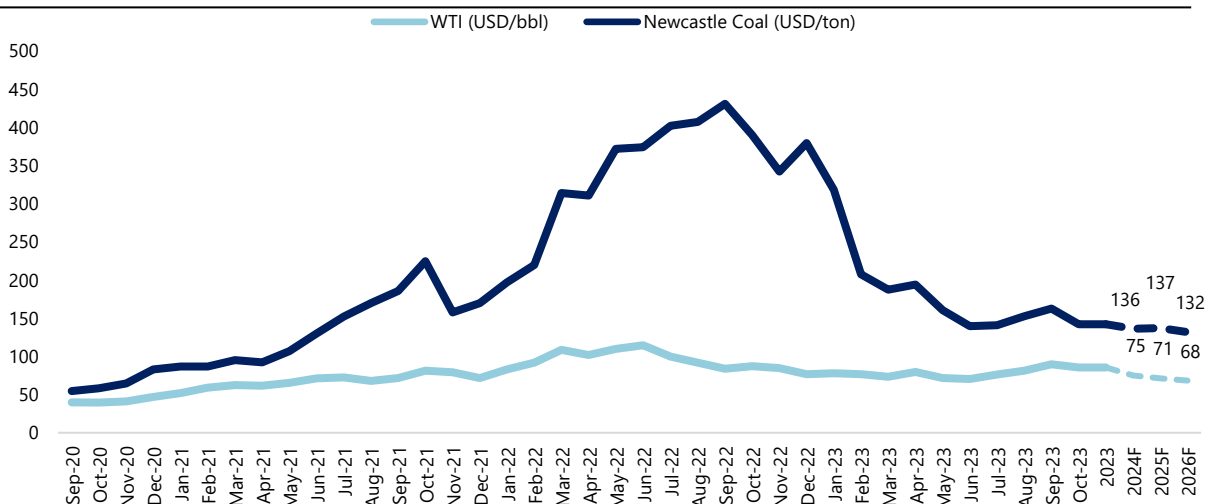
Sources : Ministry Of Public Works and Public Housing, Companies, MNCS

**Exhibit 61. National Cement Domestic volume is expected to grow up to 1% for FY23 and FY24F due to weak growth of bag cement that is expected to continue, despite strong growth of bulk sales**



Sources : ASI, MNCS

**Exhibit 62. Global situation expected to cause higher WTI Fuel price that will cause our non-subsidized fuel and the FX risk of weakening IDR against USD**



Sources : Bloomberg, MNCS

## Coal Neutral

### Bite the Bullet

#### Rising green energy output likely to pressure China's coal demand

- China's coal inventory reached its peak in Sep-24 at 642.4mn tons, marking a robust demand of +22.7% YoY ([Exhibit 01](#)). This was supported by import volume of +11.9% YoY (Indonesia: +2.1% YoY, accounting for 43.3% of total imports), amid a moderate growth in coal thermal output +1.0% YoY in 9M24. This increase aligns with policies aimed at enhancing energy security and rising consumption trends that have been evident over the past two years.
- On the flip side, China National Development and Reform Commission (NDRC) has provided guidance for medium- and long-term coal supply contracts for 2025, highlighting that coal miners are now required to allocate 75% (down from 80%) of their resources, while the self-sufficiency rate minimum to 90%, down from the 100% level maintained since FY22. We believe this could drive future demand volumes, given that China is the largest coal consumer, as well as contributing to 28% of our export universe. Furthermore, this policy encourages the use of high CV coal.
- However, several significant challenges remain, particularly from the acceleration of green energy adoption and pricing disparities. Notably, green energy output (solar, wind, hydro) rose by +18.7% YoY in 10M24, with a CAGR 5Y of +9.8% (vs thermal: +2.3% YoY/+4.4% CAGR). This trend poses a potential risk to future coal import volumes ([Exhibit 09](#)). Furthermore, hydroelectric power output is likely to increase, supported by favorable weather conditions in FY25.

#### India's domestic production plans; ASEAN demand may offset risks

- India, another major coal importer, plans to reduce its reliance on coal imports by boosting domestic output. By 9M24, India produced 766mn tons of coal, or grew by +7.5% YoY, while non-coking coal imports totaled 133.1mn tons (+11.8% YoY). According to India's Ministry of Coal, this transformation toward reduced coal imports through enhanced domestic production could open export opportunities of ~15mn tons, targeting markets such as Bangladesh and Myanmar.
- However, we anticipate that growing demand from ASEAN countries could offset the impact of India's declining import volume. For instance, Vietnam's coal imports from Indonesia reached 19.9mn tons in 9M24, a significant rise of +37.2% YoY. Vietnam also plans to expand its coal-fired power plant (CFPP) capacity (~49% contribution) by FY25, in line with projected electricity demand growth of 11%-14%. Additionally, coal exports to the Philippines remain promising, with a CAGR 5Y of +5.6% as of FY23. We expect this upward trend to continue, supported by ~2GW of new CFPP capacity in the pipeline ([Exhibit 05](#)).

#### Lower output anticipated for FY25F; base coal price set at USD140/mt

- Given these dynamics, we project domestic coal production for FY25F to hover between **778-810mn tons**, reflecting a decline from our FY24E estimate of 836mn tons. Moreover, export volumes are expected to moderate to **401-417mn tons** in FY25F (vs FY24E: 421mn tons). We also assess that La Nina in 1H25 may hinder annual production productivity. Meanwhile, coal mining companies within our universe reported production/sales volume growth that appears "to have peaked" (+7.9% YoY/+11.6% YoY as of 9M24).
- For coal price projections, we conducted a back test factoring in the DXY and WTI crude oil prices ( $R^2$ : 64%). In our base scenario, we assume the DXY will decline to level 99 based on The Fed's dot plot for FY25F (3.375), while WTI is expected to stabilize at USD65/bbl, attributed to potential Trump-era policies. Our sensitivity analysis indicates avg. coal prices in FY25 will be around **USD140/mt**, reflecting an increase of +2% compared to the avg YTD of USD137/mt ([Exhibit 08](#)). However, our bearish scenario assumes DXY/WTI at 97/USD60/bbl, placing coal prices at USD114/mt. Notably, post-pandemic trends indicate that coal prices have aligned closely with DXY movements ([Exhibit 07](#)).

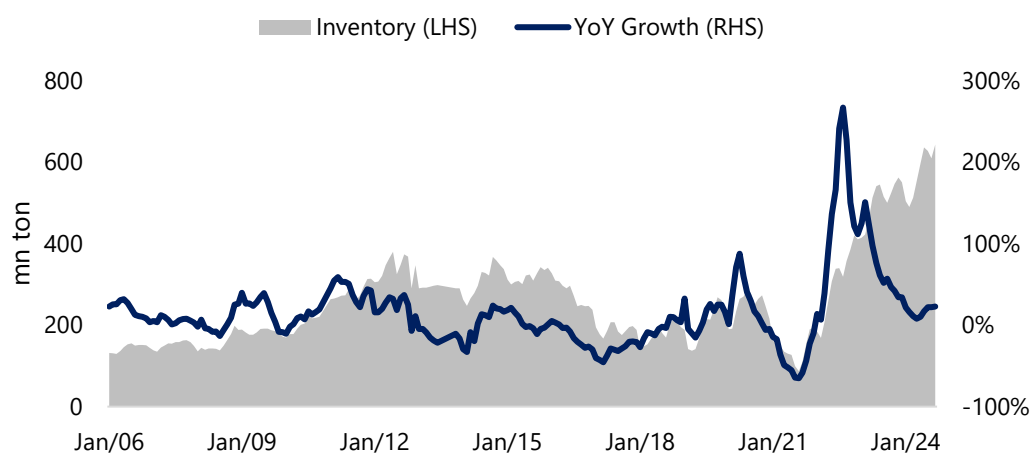
## Neutral Recommendation for the Sector

We maintain a **NEUTRAL** rating on the coal mining sector, reflecting potential declines in domestic production and a cautious outlook on global demand. Additionally, coal prices remain at risk of aligning with our bearish scenario, particularly if WTI crude prices weaken further. We project an aggregate net profit decline (including ADRO's spin-off) of -5.4% YoY/-1.7% YoY for FY25F/FY26F, respectively. Furthermore, we perceive a relatively gloomy outlook for coking coal prices in China. We put Hold recommendation for ADRO with a TP of IDR2,100/sh (SOTP-valuation, 30% discount). There is potential for rerating within the sector if the MIP scheme and royalty tariff relaxations are realized, and if WTI prices strengthen above USD70/bbl.

Ticker	Mkt Cap (IDR tn)	P/E (x)		PBV (x)		Rec	TP (IDR/sh)
		FY24E	FY25F	FY24E	FY25F		
ADRO IJ*	64.9	5.8	6.2	0.5	0.5	HOLD	2,100
ITMG IJ	30.5	5.4	5.7	1.1	1.1	HOLD	27,100
PTBA IJ	31.2	5.9	6.6	1.3	1.2	HOLD	2,600

Sources : IDX, MNCS Research (\* ADRO post spin-off)

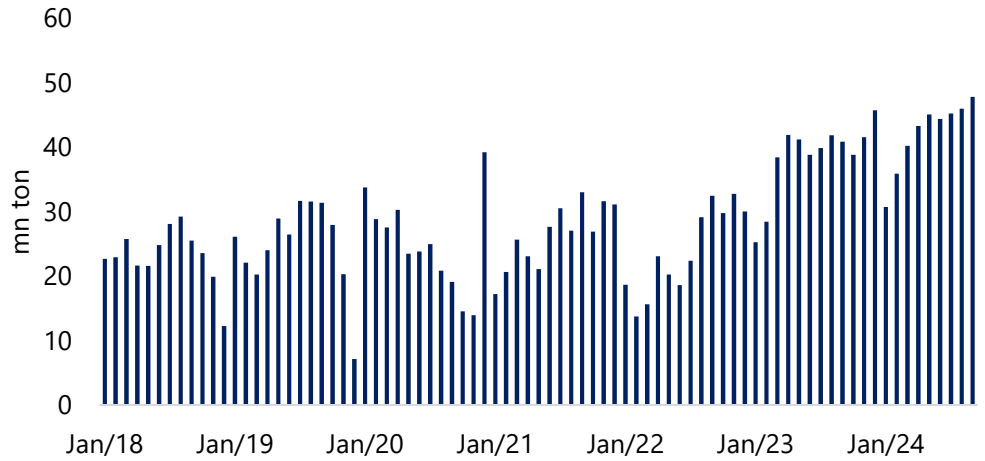
## Exhibit 63. China's total coal inventory topped at 642.4mn tons in Sep-24



Sources : Bloomberg, MNCS Research

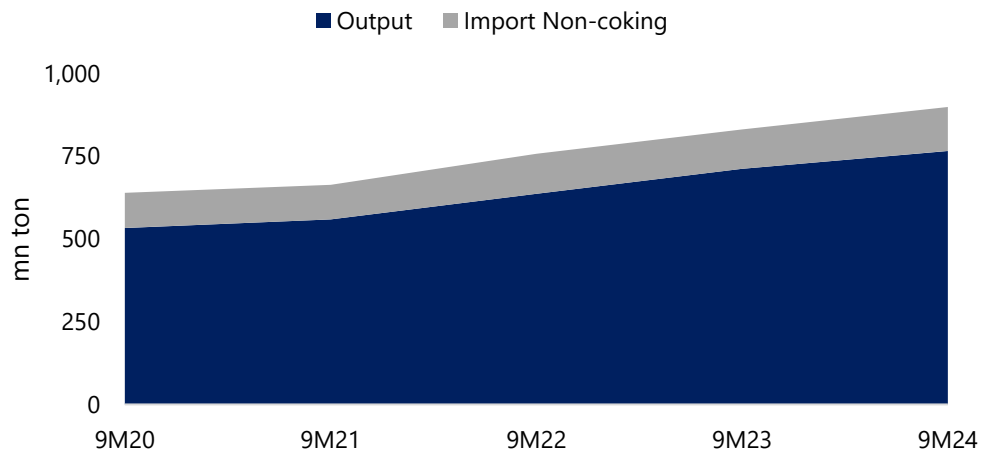
**Exhibit 64. We anticipate China's coal import volumes to decline moderately in the coming months**

*China's import volume surge +17.0% YoY to 47.8mn ton in Sep-24, translating its 9M24 at 378.8mn ton (+12.5% YoY)*



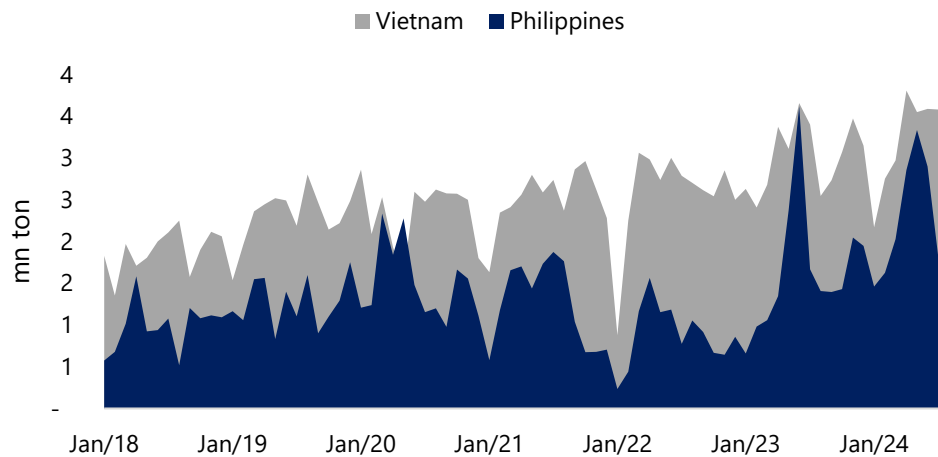
Sources : Bloomberg, MNCS Research

**Exhibit 65. India's non-coking coal imports are expected to narrow ahead**



Sources : MoC India, MNCS Research

**Exhibit 66. Coal export volumes to Vietnam and Philippines have shown promising growth**



Sources : Bloomberg, MNCS Research

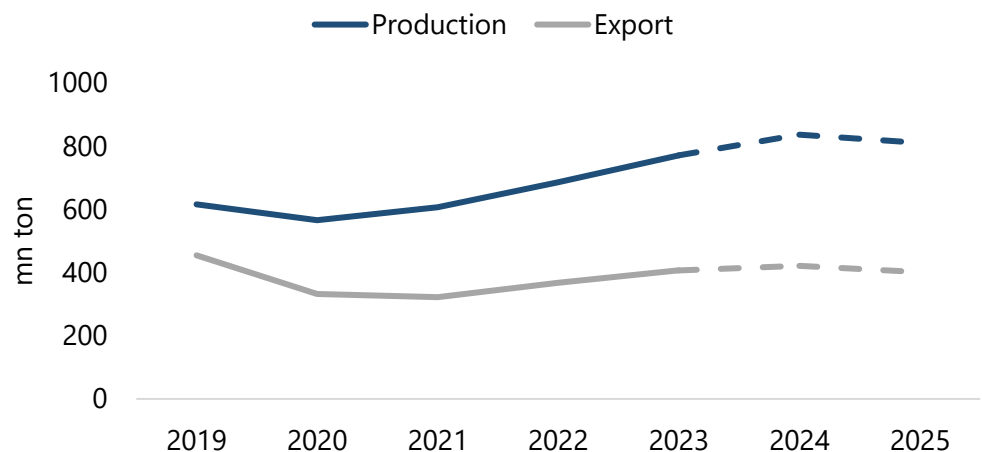
**Exhibit 67. Approval for new CFPP, along with planned retirements (MW)**

Country	Permitted+Pre-permit	Operating	Retired FY24-30	Retired FY31-40
Indonesia	1,640	52,317	319	3,739
Philippines	1,959	12,232	232	772
Vietnam	2,650	27,239	-	-
China	183,847	1,147,231	3,950	6,590
India	49,310	239,645	420	420

*Philippines and Vietnam have the potential to add 4,609 MW of CFPP capacity, which is anticipated to drive demand for coal imports*

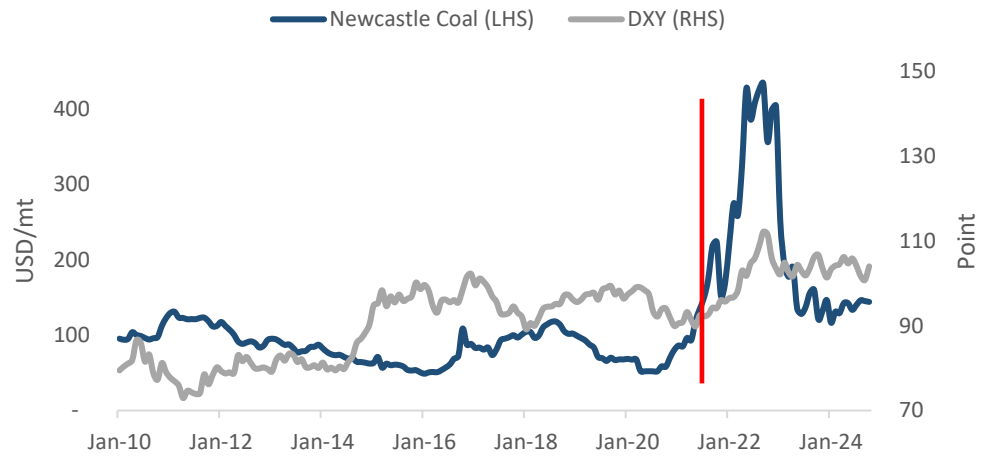
Sources : Global Energy Monitor, MNCS Research

**Exhibit 68. We project production/export volumes at 778–810/401–417mn tons, respectively, in FY25F**



Sources : MODI, MNCS Research

**Exhibit 69. Post-pandemic, the DXY index and Newcastle coal prices have demonstrated relatively synchronized movements**



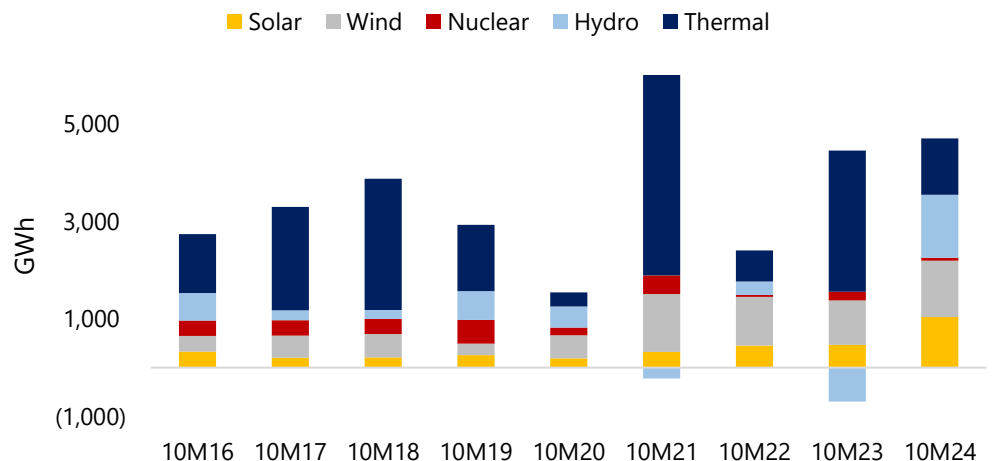
Sources : Bloomberg, MNCS Research

**Exhibit 70. We set our base scenario for avg. coal prices at USD140/mt in FY25F**



Source : MNCS Research

**Exhibit 71. YoY changes in various types of energy output production in China**



Sources : National Bureau of Statistics of China, MNCS Research

*Hydro and solar power output in China increased significantly in 10M24, further reducing coal utilization rates*

## Consumer Overweight

## Turning the Tide: Bright Spots in Consumer Spending Amidst Emerging Risks

### Signs of purchasing power recovery emerged in 3Q24

Kantar reported that household spending in Indonesia increased by +7.0% YoY in 3Q24, reaching IDR6 mn (vs IDR5.6 mn in 3Q23), driven by fresh food and FMCG. Additionally, value per trip and spending volume also increased by +6.0% YoY and +2.0% YoY, respectively. This growth indicates an uptick in consumption, especially among lower and upper-income groups in 3Q24, in line with manageable inflation due to the moderation of key staple prices, such as rice, flour and eggs. Furthermore, the GDP deflator grew by +1.5% YoY in 3Q24, showing a recovery compared to -0.4% YoY in 3Q23. The Consumer Confidence Index (CCI) rose to 125.9 in Nov-24 (vs 121.1 in Oct-24), even though the proportion of spending for consumption slightly decreased to 74.4% in Nov-24 (vs 74.5% in Oct-24). This indicates a positive signal, particularly as after the election season in Feb-24, consumption levels were around ~73%. We expect the festive season momentum in 4Q24 and 1Q25 to further drive household spending ([exhibit 01](#)).

### Fiscal support will ramp-up consumer spending in FY25E...

- The FY25 state budget (APBN) is planned at an all-time high of IDR3,613.1 tn. Furthermore, the social protection budget is estimated to rise by +4% YoY, reaching IDR504.7 tn in FY25 (vs IDR485.1 tn in the FY24 outlook), largely driven by subsidy programs. This includes plans for Bantuan Langsung Tunai (BLT), which are expected to strengthen people's purchasing power. The government also has significant fiscal space to focus subsidy funds on boosting consumer spending, supported by the forecast of stable commodity prices in FY25. Additionally, various initiatives like the Free Meal Program, a quick-win program from Prabowo, not only aim to support public nutrition but also create a multiplier effect within domestic supply chains, potentially stimulating the local economy by involving SMEs. This program could significantly boost domestic consumption ([exhibit 04](#)).
- The government decided to raise the Provincial Minimum Wages (UMP) by +6.5% for FY25E, exceeding the 5-year average UMP increase of +3.9% ([exhibit 02](#)).

### ...However, risks and challenges are just around the corner for certain subsectors

Although the domestic consumption outlook for 2025 appears positive, several new policies may potentially dampen consumption growth. One of these is the increase in the VAT rate to 12%, effective from 1 Jan-25 (up from the previous 11%). Without other policy adjustments, this VAT hike could reduce consumer demand. Furthermore, the simplification of BPJS Health Insurance tariffs, such as the elimination of Class III, could potentially impact disposable income. This policy might burden some segments of society with higher BPJS costs, reducing funds available for other expenditures. Additionally, the government plans to impose excise duties on packaged sugar-sweetened beverages (SSBs). The excise tax may impact certain FMCG subsectors by increasing retail prices, reducing sales volume, and lowering profit margins. These risks may dampen consumer interest, particularly among low-income groups.

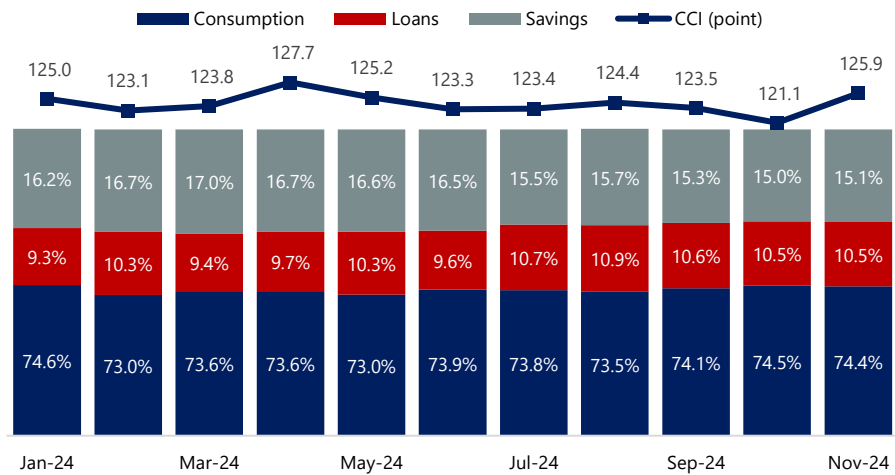
### Upgrade recommendation to OVERWEIGHT for the consumer sector

We upgrade the Consumer sector to **OVERWEIGHT**, considering various populist government policies expected to boost public purchasing power. Additionally, the signs of recovery in consumer purchasing power, reflected in a +7.0% YoY increase in household spending in 3Q24, indicate strong consumption growth. We anticipate that the festive moments in 4Q24 and 1Q25, along with government programs set to be implemented starting 1 Jan-25, such as the free meal program, will potentially drive domestic consumption. Downside risks include the 12% VAT, the simplification of BPJS Health insurance tariffs, the excise tax on packaged sweetened beverages, and other unfavorable government policies.

Ticker	Mkt. Cap. (IDR tn)	P/E (x)		P/B (x)		Rec	TP (IDR/Sh)
		FY24E	FY25F	FY24E	FY25F		
ICBP IJ	138.2	17.8	16.3	2.5	2.2	BUY	14,500
INDF IJ	71.8	9.4	8.8	0.8	0.7	BUY	9,200
SIDO IJ	17.6	17.5	16.3	13.6	12.0	BUY	660
UNVR IJ*	71.3	19.0	18.8	16.9	14.8	HOLD	1,750

**Exhibit 72. The CCI rose to 125.9 in Nov-24; proportion for spending increased to 74.4% in Nov-24**

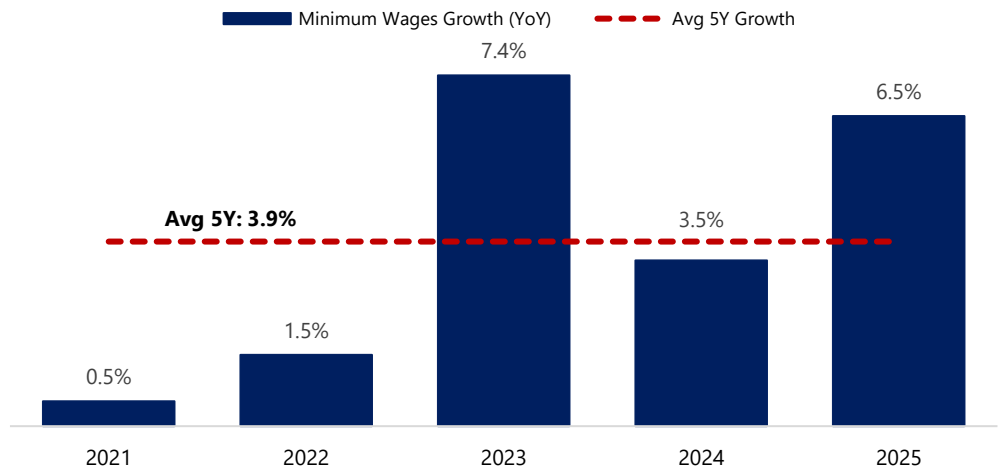
The CCI rose to 125.9 in Nov-24, aligns with retail sales growth of +0.4% MoM/+1.7% YoY in Oct-24



Sources : BI, MNCS Research

**Exhibit 73. Minimum wages growth for FY25E exceeds the avg 5Y growth post covid-19**

Minimum wages growth in FY25E is expected to drive higher spending and consumption

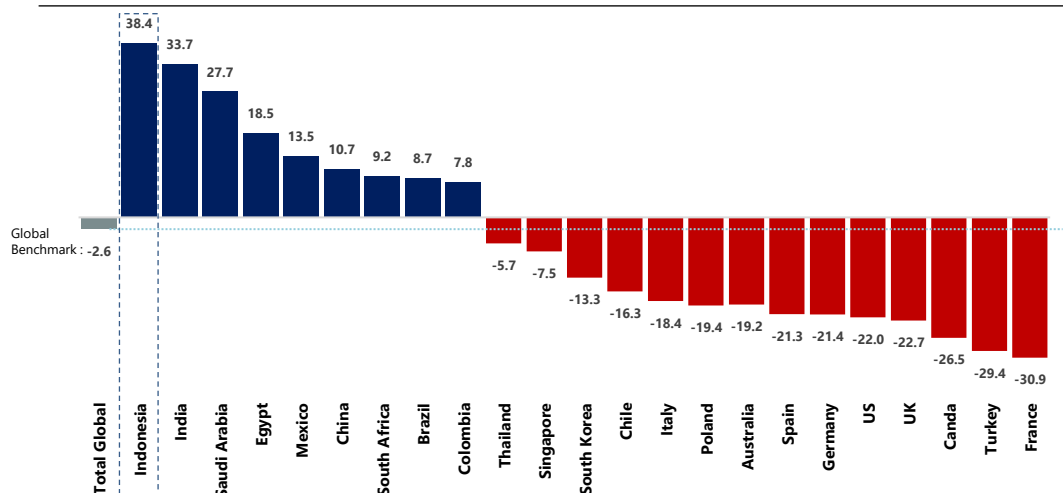


Sources : BPS, MNCS Research

**Exhibit 74. Indonesia is in a better financial position**

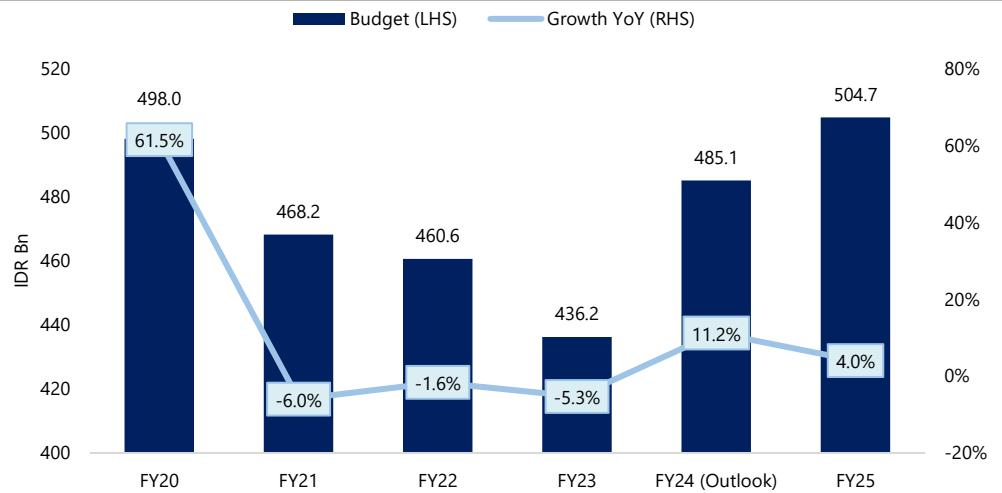
Optimism around financial situation is growing; According to the NIQ survey, more consumers in Indonesia report that they are in a better financial position now

Along with this survey, Indonesia's CPI rose to +2.26% YoY in Nov-24 (vs +2.21% YoY in Oct-24), and the PMI Manufacturing Index increased to 49.6 in Nov-24 (vs 49.2 in Oct-24)



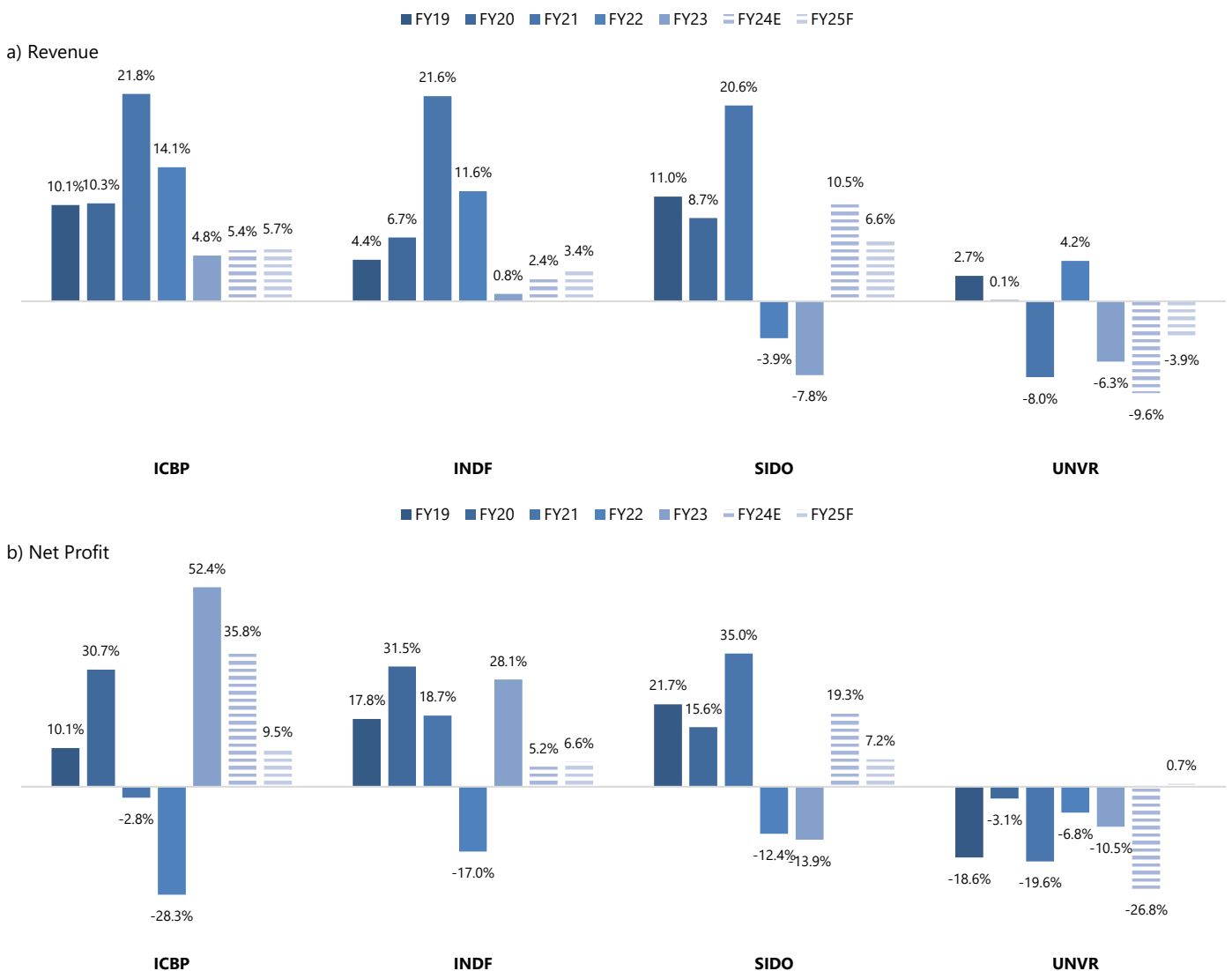
Sources : NielsenIQ, MNCS Research

**Exhibit 75. The social protection budget rose by +4.0% in FY25E**



Sources : MoF, MNCS Research

**Exhibit 76. Revenue and net profit growth of consumer companies in the MNCS Universe**



Sources : Company, MNCS Research

## Healthcare Overweight

### Revolutionizing Healthcare: Government Initiatives, COB Scheme, and Hospital Expansion Plans

#### The healthcare budget is set to IDR197.8 trillion, grew by 6.1% YoY

The government has issued a free healthcare program for 55 million citizens starting in FY25F, with a budget allocation of IDR5 trillion from the APBN 2025, of which IDR3.3 trillion will be utilized for health screenings and IDR1.7 trillion for healthcare facilities across Indonesia. The government has identified three healthcare priorities: 1) Free health screenings for all age groups; 2) Reduction of TBC cases; and 3) The construction of high-quality and fully-equipped hospitals in remote and underdeveloped areas. Overall, the government has allocated IDR197.8 trillion for healthcare, reflecting a 6.1% YoY increase and accounting for 5.5% of the total government spending. We assess that the government is demonstrating its commitment to bolstering the post-pandemic healthcare sector, with a sustained focus on enhancing accessibility to healthcare services, addressing public healthcare challenges, and elevating the healthcare system as a whole.

#### 2025: Implementation of a long-established scheme

- The Coordination of Benefits (COB) mechanism between BPJS Kesehatan and private health insurances under the JKN program is set to be carried out in FY25F, as outlined in the KMK No.HK.01.07/MENKES/1366/2024 regulation. The government aims to improve healthcare financing through the COB mechanism, which allows participants to utilize private insurance to cover additional incurred costs outside of the BPJS coverage, reducing personal expenses and simplifying the claims process. This scheme establishes a cost-sharing structure between BPJS and insurance providers, allowing hospitals to apply a maximum charge of 200%, which will then be split between BPJS (75%) and insurance (125%) ([see exhibit 04](#)). This system also sets billing standards for patient financial protection and healthcare service quality. We assess that this system offers several benefits, including: 1) An increase in the number of private insurance users; 2) Integration of public and private healthcare systems; and 3) Better control of healthcare claims costs.
- In recent years, trial implementations of the standard class inpatient care (KRIS) have been conducted, and by 2H25, KRIS will be fully in place at all hospitals that work with JKN. However, this may cause an increase in BPJS rates to ensure BPJS Kesehatan remains financially stable. The planned rate increase and limits on hospital partnerships by private insurers are good news for HEAL, as it serves many JKN patients. On the other hand, MIKA and SILO might face challenges because they focus more on private patients. In 3Q24, the companies in our universe have the following proportions of revenue coming from JKN members: 1) HEAL (73%); 2) SILO (18%); 3) MIKA (16%).

#### Ongoing emphasis on hospital expansion and bed capacity

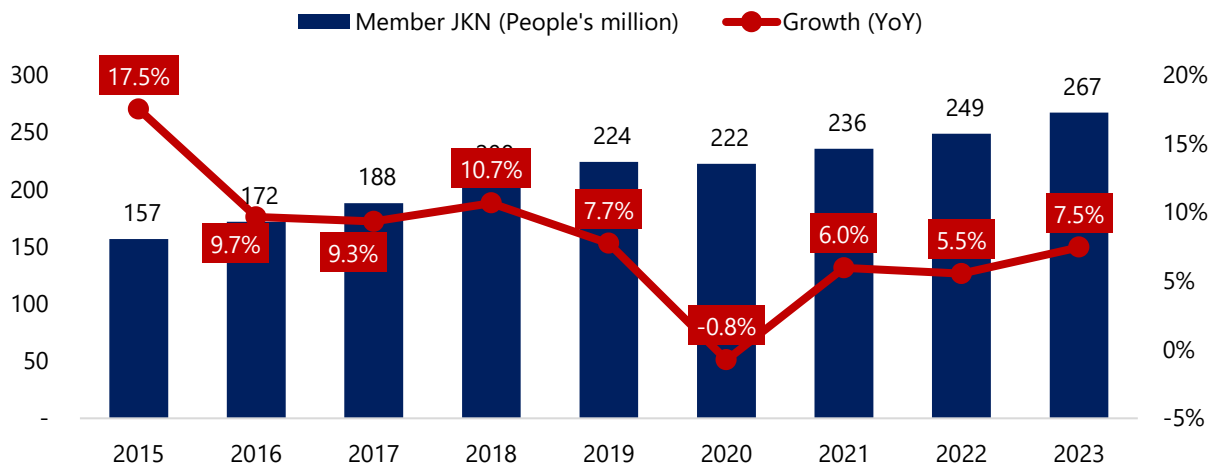
So far, only HEAL has been relatively active in increasing the number of new hospitals located in IKN, Madiun, and Pasuruan. Additionally, there is an ongoing hospital project in PIK 2, which is estimated to open in 4Q24/1Q25. Meanwhile, other players such as MIKA plan to open 3 hospitals in Jakarta, Cirebon, and East Java. SILO will also expand in Semarang, Surabaya, and Samarinda.

#### OVERWEIGHT Outlook with Top Picks : HEAL, MIKA and SILO

We maintain an **Overweight** rating for the **healthcare sector**. We see there is considerable potential for hospital operators to solidify their market position, as reflected in their robust performance since FY23. We have a positive view towards HEAL, given its status as the primary beneficiary of the COB scheme and the KRIS implementation. Additionally, we are favorable towards SILO, supported by its strong premium brand image across key hospitals, which has demonstrated resilience despite challenging macroeconomic conditions. Risks to our call include: 1) IDR depreciation; 2) Changes in government regulations.

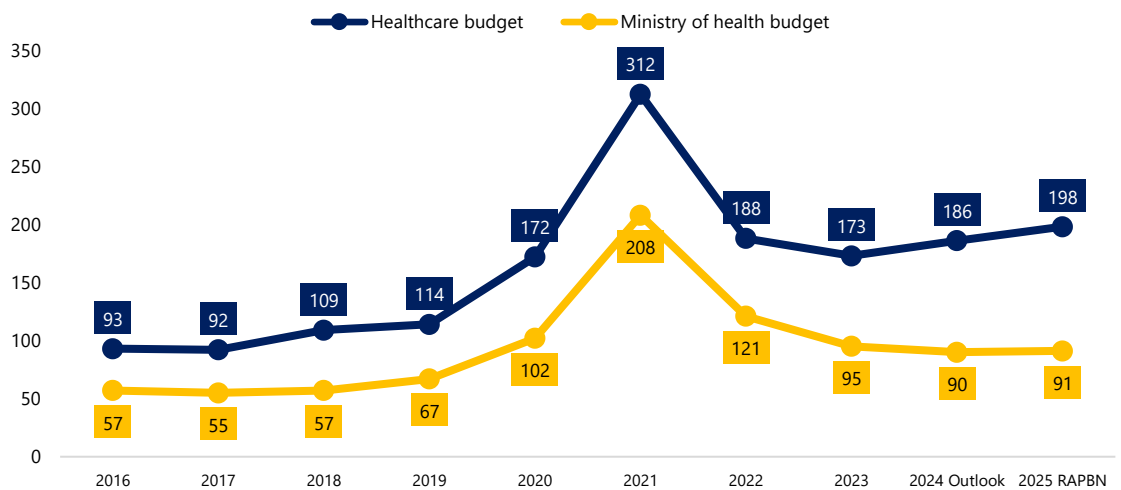
Ticker	Mkt Cap (IDR tn)	P/E (x)		P/B (x)		Rec	TP (IDR/Sh)
		FY24E	FY25F	FY24E	FY25F		
HEAL IJ	20.8	40.5	34.5	5.8	5.1	BUY	1,720
MIKA IJ	36.6	41.0	36.9	6.9	6.3	BUY	3,500
SILO IJ	39.0	33.8	29.4	5.2	4.7	BUY	3,540

**Exhibit 77. The trend of Member JKN in 2015-2023**



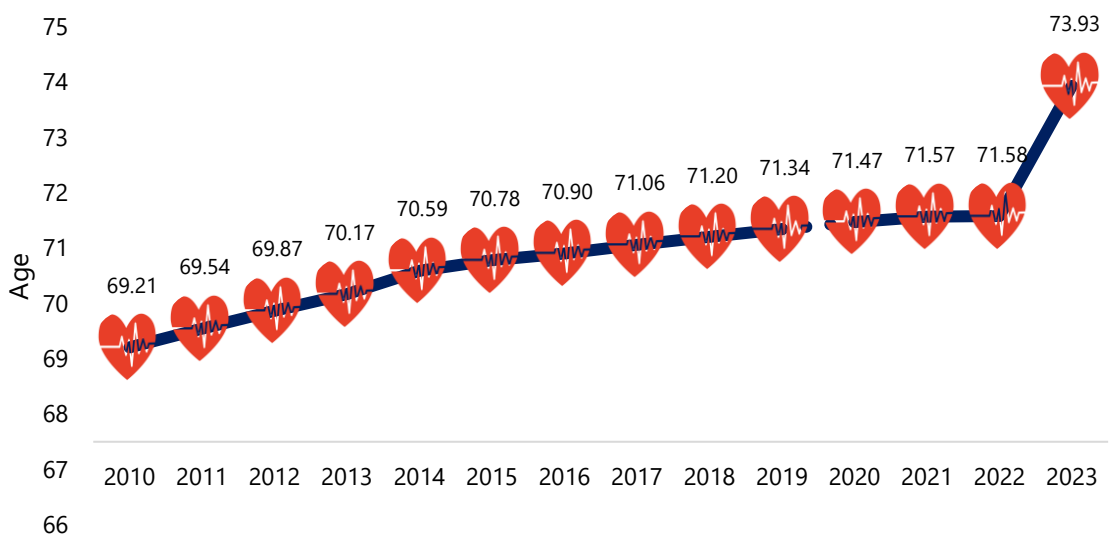
Sources : BPJS, MNCS Research

**Exhibit 78. The trend of healthcare and Ministry of Health budget in 2016-2025 (IDR tn)**



Sources : Ministry of Finance, MNCS Research

**Exhibit 79. The trend of life expectancy in Indonesia**



Sources : BPS, MNCS Research

**Exhibit 80. The new INA-CBG tariff scheme**

**The bill for advanced referral health facilities exceeds 200% of the INA-CBG rate**

JKN - Class I	Tariff	Hospital billable rates	BPJS maximum payment (75%)	Insurance/corporate payment (125%)
	VIP/ Premium class			
1	2	3 = 200% x (1)	4 = 75% x (1)	5 = (3) - (4)
49,957,000	120,000,000	99,914,000	37,467,750	62,446,250

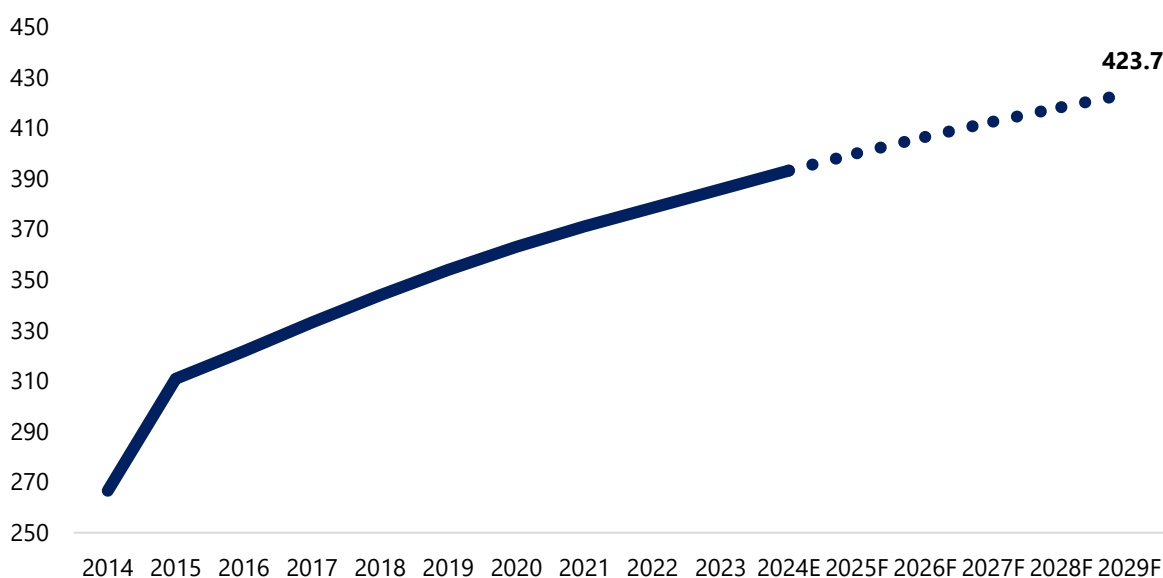
**The bill for advanced referral health facilities is greater than the INA-CBG rate but does not reach 200% of the INA-CBG rate**

JKN - Class I	Tariff	Hospital billable rates	BPJS maximum payment (75%)	Insurance/corporate payment (125%)
	VIP/ Premium class			
1	2	3	4 = 75% x (1)	5 = (3) - (4)
49,957,000	80,000,000	80,000,000	37,467,750	42,532,250

Sources : Ministry of Health, MNCS Research

**Exhibit 81. The trend of hospital beds Indonesia in FY14-FY29F (in thousand unit)**

*The number of hospital beds in Indonesia is estimated to reach 423k in FY29F*



Sources : Statista, MNCS Research

**Exhibit 82. The strategy for expanding hospital networks**

Hospital	Bed	Location	Open
<b>HEAL</b>			
Hermina Hospital	200-250	PIK 2	4Q24-1Q25
<b>MIKA</b>			
Mitra Keluarga Hospital	200-250	Jakarta	2025
Mitra Keluarga Hospital	200-250	Surabaya	2025
Kasih Group Hospital	100-150	Cirebon	2025
<b>SILO</b>			
Siloam Hospital	100-150	Surabaya Cito	2025
Siloam Hospital	100	Surabaya MERR	2026
Siloam Hospital	200-250	Semarang	2026
Siloam Hospital	100-150	Samarinda	2026

Sources : Companies, MNCS Research

## Metal Mining Overweight

### A Multi-faceted Momentum Story

#### Favoring nickel class 2 over class 1 & intermediary (MHP)

- The aggressive development of nickel smelters (RKEF & HPAL) over the past few years has created a prolonged supply-demand surplus, leading to a significant drop in LME Nickel prices ([Exhibit 02](#)). Currently, around 15 nickel smelters are operational, with 16 more under construction, bringing the total to approximately ~31. This expansion propelled refined nickel production up by +16.0% YoY in 9M24 to 1.1mn mt (vs global ex-Indonesia: -4.9% YoY). Consequently, Indonesia's output now constitutes 44% of global production, a significant increase from 13% in FY18. While the global nickel surplus narrowed by -47% YoY in 9M24, LME Nickel prices contracted by -6.4% YoY. We believe the market has already priced in the anticipated future production growth.
- On the demand side, China (~60% of global) may experience a subdued economic recovery, as disappointing stimulus measures fail to meet expectations, particularly in the context of potential geopolitical challenges under the next US government (Trump). Additionally, the increasing popularity of LFP (Lithium Iron/Ferro Phosphate) batteries, due to their cost competitiveness, is expected to reduce demand for nickel-based batteries (e.g. NMC). We project LFP and LMFP batteries to increase their market share to 60% of global EV battery demand by FY30F (from 40% in FY24E), leading to a decline in nickel content to 45% by FY30F (from 56% in FY24E). We estimate a global refined nickel surplus of ~260k tons in FY25 and forecast LME Nickel prices to range **between USD15,500-16,000/ton** (vs FY24 average of USD16,900).
- Given the decoupling trend in nickel class 1, our focus shifts to nickel class 2 (Ferronickel, NPI, Nickel Matte), which benefits from robust demand in the stainless steel sector despite potential supply disruptions. This is largely due to the faster proliferation of HPAL smelters compared to RKEF. Moreover, we expect China's stainless steel consumption to recover by +1-2% YoY in FY25F, following a low base in FY24 (-5% YoY). This will drive global ferronickel supply up by +13% YoY, while NPI output will stabilize at 2mn mt, down from the previous projection of 2.4mn mt, reflecting relatively tight supply conditions. This dynamic is expected to benefit ANTM, with its ferronickel segment (~15% sales), and MDKA, whose NPI segment contributes ~40-50% of its sales.

#### Precious metals retain upside potential; copper supply likely to tighten post-FY28F

- Gold has continued to outperform other base metals, posting a +26% YoY gain in FY24 (FY23: +13% YoY). This upward trajectory remains supported by substantial central bank purchases, particularly following the Russia-Ukraine conflict in 1Q22. Using our model, which incorporates variables such as US CPI, DXY, and UST10Y TIPS Yield ( $R^2$ : 91%), we find that gold is currently trading at a 30% premium to its fair value. Looking forward, with the Fed raising its inflation forecast to 2.5% in FY25F (vs 2.1% previously) and maintaining a similar premium level, gold prices could reach **USD2,900/oz**. This will significantly benefit MDKA, particularly through its Pani Gold Project (progress: 28% as of Nov-24), which is expected to commence commissioning by late FY25F, with a projected annual production of 450-500k oz (vs Tujuh Bukit: 125-135k oz/year).
- We also maintain a positive outlook on copper, anticipating potential supply disruptions that could drive prices upward. Copper prices have risen +3% in FY24, while demand volume is projected to grow by +2.9% YoY in FY25F, up from +2.0% YoY in FY24E. On the supply side, growth is anticipated to slow to +2.7% YoY in FY25F (vs +3.1% YoY in FY24E), translating to a surplus of 37k tons (vs 68k tons in FY24E). In the long run, supply is expected to tighten, leading to a cumulative deficit of 722k tons between FY28F-30F ([Exhibit 04](#)). This is primarily attributed to aging mines in Chile and Peru (~35% of global production) and limited exploration activity, as copper mining typically requires ~7 years to achieve operational readiness.

## OVERWEIGHT recommendation for metal mining sector; top pick ANTM IJ (BUY; TP: IDR2,000/share)

Price contractions across several base metals, coupled with rising cash costs and ongoing projects, have weighed on the performance of metal mining companies under our coverage in FY24. Nonetheless, we remain optimistic about future project pipelines and believe that the stock prices have bottomed, prompting us to upgrade our recommendation to **OVERWEIGHT**. Our top pick is **ANTM IJ (BUY; TP: IDR2,000)** due to dividend player and the increased ferronickel capacity production to 40.5k TNi/year, through its new plant in East Halmahera (commissioning in 9M24). We also favor **MDKA IJ (BUY; TP: IDR3,050)**, driven by its growth prospects through the Pani Gold Project (1Q26: first gold pour), benefits from rising gold prices, the full potential of its AIM plant, and the completion of its feed preparation plant (FPP) to enhance margins. Downside risks: Lower-than-expected LME Nickel prices (impacting MHP and Nickel Sulfate) and production shortfalls.

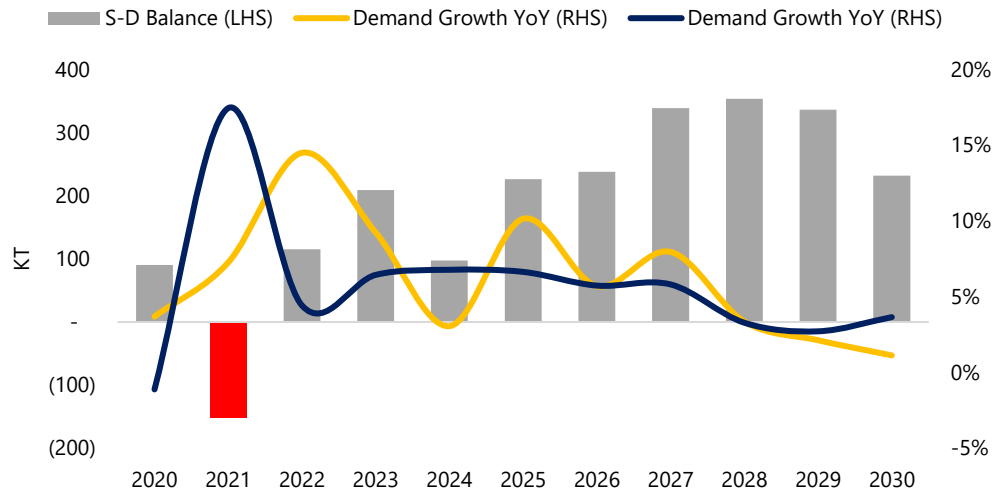
Ticker	Mkt Cap (IDR tn)	P/E (x)		PBV (x)		Rec	TP (IDR/sh)
		FY24E	FY25F	FY24E	FY25F		
ANTM IJ	37.2	16.6	12.2	1.5	1.4	BUY	2,000
INCO IJ	37.8	45.5	34.3	1.1	1.1	BUY	4,050
MDKA IJ	39.0	(92.4)	86.5	1.8	1.7	BUY	3,050

**Exhibit 83. Global nickel production primarily driven by Indonesia, while production in China has declined (Monthly)**



Sources : Bloomberg, MNCS Research

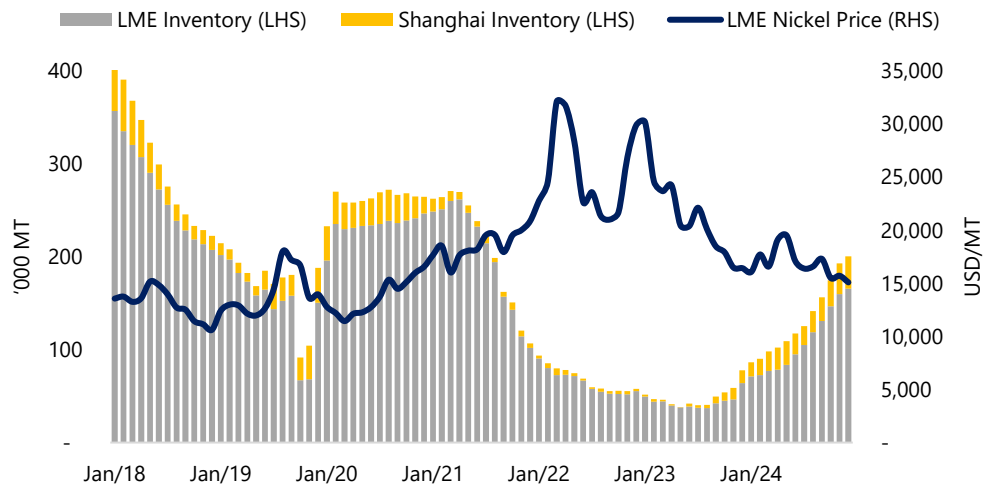
**Exhibit 84. Amid aggressive HPAL development and China's sluggish recovery, we anticipate a persistent surplus in nickel S-D balance**



Sources : Bloomberg, MNCS Research

**Exhibit 85. The rise in nickel inventories at LME and Shanghai continues to weigh on nickel prices (Monthly)**

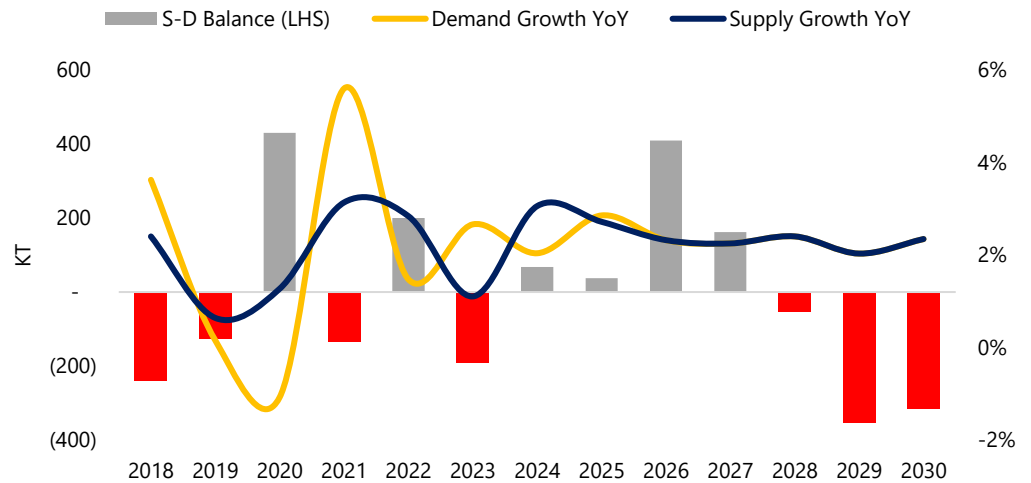
*The downtrend appears to reflect the market pricing in expectations of a prolonged surplus in the future*



Sources : Bloomberg, MNCS Research

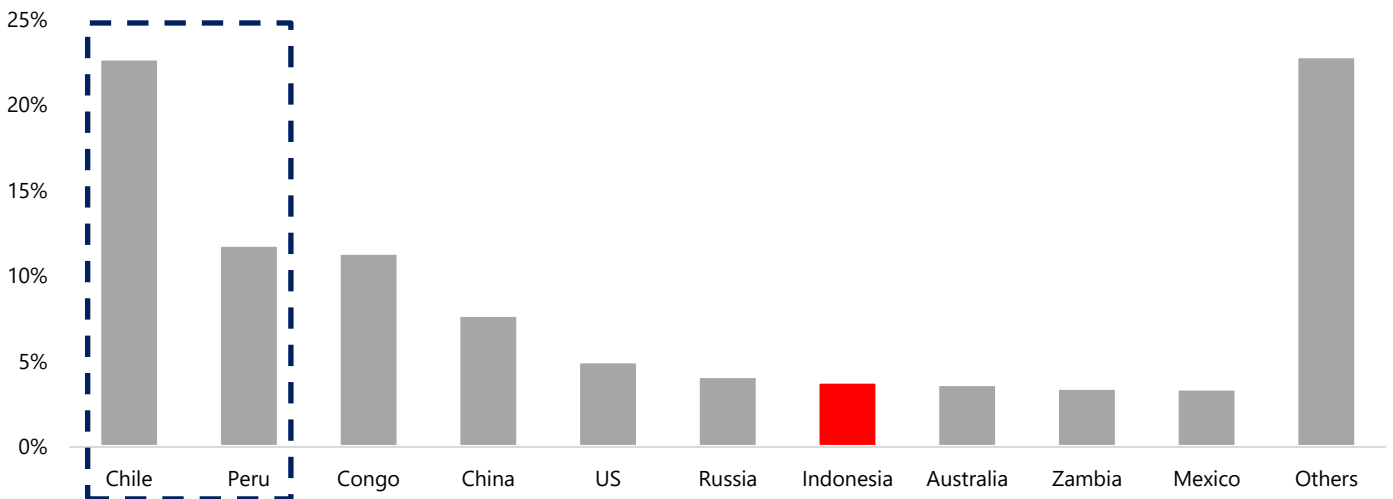
**Exhibit 86. Meanwhile, copper is projected to exhibit a deficit starting FY28F, on the back of the aging mines issue in Chile and Peru and a lack of exploration activities**

However, we anticipate a surplus of 409k tons in FY26F and 162k tons in FY27F. This is due to expectations of a more effective recovery in China during this period, coupled with rising demand for green energy and electronic equipment



Sources : Bloomberg, MNCS Research

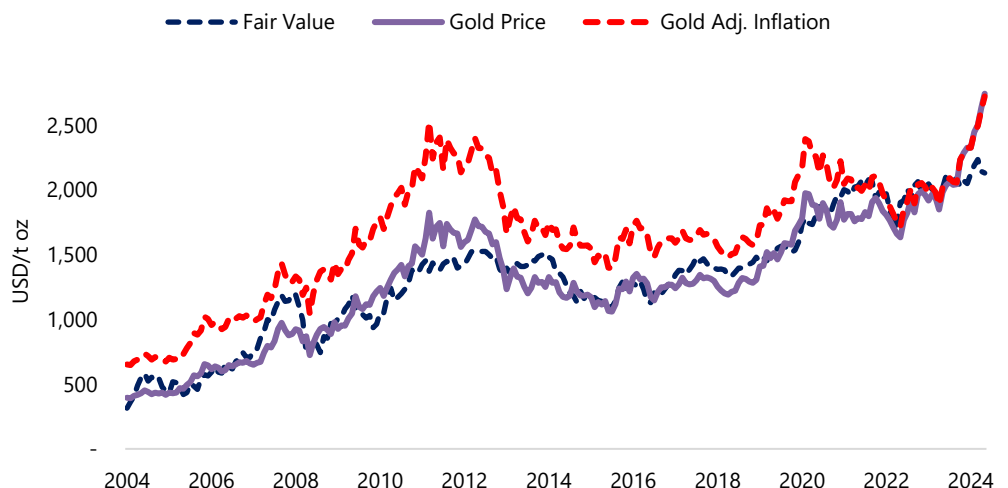
**Exhibit 87. Chile and Peru account for 35% of total global copper production**



Sources : Our World in Data, MNCS Research

**Exhibit 88. We estimated that gold price is currently trading at a 30% premium to its fair value**

Since 1Q22, the avg. gold purchase volume by central banks has surged more than threefold compared to the 5Y avg. before, increasing their contribution to total global demand volume to 23% (vs 10% previously)



Sources : Bloomberg, MNCS Research

## Oil & Gas Neutral

## Surviving Amid Geopolitical Tensions and Declining Demand

### Energy Markets in Flux: Balancing Global Risks and Indonesia Ambitions

China has made significant investments in clean energy, accounting for nearly half of global energy investments, reaching USD546 billion in FY22, this position marks China as a global leader in this sector. However its energy transitions policies have led to a decline in global crude oil demand, with imports dropping by 2.2% YoY as of Sep-24. This reduction has prompted OPEC+ to maintain production cuts of 2.2 Mbpd through Dec-24 with potential extensions into early FY25F, to support higher oil prices amid weak demand, particularly in China and US. The final decisions regarding production, will be decided on December 5, 2024 at the OPEC+ meeting. Meanwhile, rising geopolitical tensions in the Middle East and the shutdown of Russian gas pipelines through Ukraine have raised global energy supply risks. Any disruption in the Strait of Hormuz, a key oil trade route, could push oil prices up by 20-50% heightening concerns over supply stability and market volatility. Based on World Bank data, global oil prices in FY25F are projected to decline by 8.8% to USD73/Bbl. This is due to an oversupply caused by weak demand, particularly in countries like China, US, and Brazil. The Indonesia government has approved the Plan of Development (POD) of the Geng North field, involving a total investment and operational cost of USD17.5 billion, projected to generate gross revenue of USD39.5 billion over its operational period. This field contains gas reserves of 5.3 TCF and 609 MMBOE with expected to commence operations in FY25F. This initiative will impact to revitalize Bontang's operational facilities. The project includes 24 productions wells connected to Floating production storage and offloading (FPSO) facility, which will expand Bontang's capacity to four trains. To strengthen national energy resilience and reduce dependency on imports, the government set target oil lifting of 605,000 Bpd by FY25F and plans to reactivate 1,000 – 1,500 idle wells annually, aiming to achieve production targets 1 Mbpd and 12 BSCFD by FY30F. Indonesia has 41,154 wells in country, with 10,398 are currently classified as idle, though reactivation efforts depend on subsurface conditions and associated costs.

### Europe's Gas Supply Crisis and Indonesia's Natural Gas Role in Clean Energy Transition

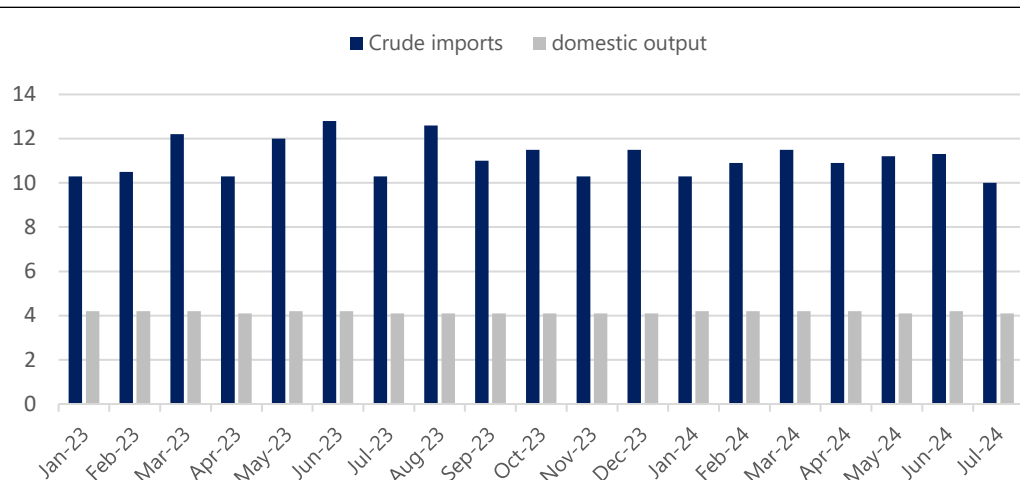
The termination of Russia's longest-running gas export contract to Europe via pipelines through Ukraine poses a major geopolitical and economic challenge for the region. Both Ukraine and Russia have confirmed they will not renew the agreement, resulting in a loss of around 18% of Europe's total gas supply, which has already declined by 40% since FY22. This disruption raises significant risks to Europe's energy security and is expected to drive gas prices higher. In response, Europe and Ukraine are working on alternative supply sources to ensure stability, particularly as winter demand increases. The World Bank projects natural gas prices in FY25F to rise by 6.5% in Europe and 54.5% in the U.S., reaching USD 11.5 and USD 3.4 per MMBtu, respectively. These increases are driven by project delays due to COVID-19, geopolitical tensions, and aging gas fields in difficult-to-access regions, leading to higher production costs. Meanwhile, Indonesia is accelerating its clean energy transition, aiming to achieve 31% renewable energy by 2050. Natural gas is a key part of this strategy as a cleaner alternative to coal and oil, offering a high calorific value of around 9,424 kcal/m<sup>3</sup>, making it an efficient energy source. It also plays a critical role in industries like fertilizer production, highlighting its importance in supporting sustainable development and reducing environmental impact.

### Neutral Recommendation for the Sector

We maintain a **Neutral** recommendation on the Oil and Gas sector, considering the anticipated rise in crude oil prices due to geopolitical uncertainties in the Middle East and the ongoing transition to clean energy, which has yet to be fully implemented. Our top picks in the oil and gas sector are AKRA IJ (BUY; TP: IDR 2,000) and MEDC IJ (BUY; TP: IDR 1,950). Downside risks: 1) Longer-than expected O&G schedule; and 2) lower-than-expected commodity prices.

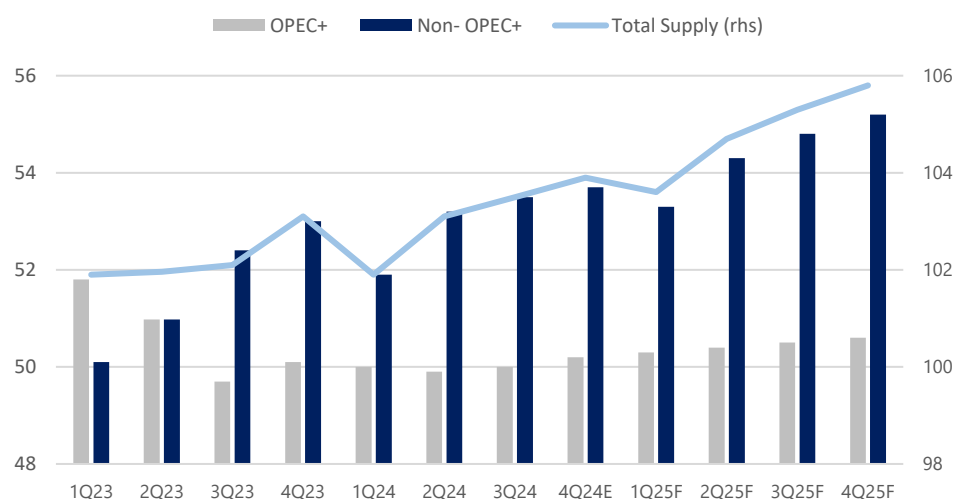
Ticker	Mkt Cap (IDR tn)	P/E (x)		PBV (x)		Rec	TP (IDR/sh)
		FY24E	FY25F	FY24E	FY25F		
AKRA IJ	25.5	7.9	6.9	1.6	1.4	BUY	2,000
MEDC IJ	28.4	3.9	5.0	0.7	0.7	BUY	1,950
PGAS IJ	38.7	6.7	6.3	0.7	0.6	HOLD	1,550

**Exhibit 89. China monthly crude oil imports vs domestic output (Mbpd)**



Sources : Bloomberg, MNCS Research

**Exhibit 90. Total oil supply (Mbpd)**



Sources : IEA, MNCS Research

**Exhibit 91. Global oil demand by region (Tbpd)**

	2019	2023	2024E	2025F
Africa	4,184	4,335	4,437	4,507
Americas	31,584	31,400	31,482	31,609
Asia/Pacific	36,182	38,111	39,010	39,664
Europe	15,113	14,249	14,128	14,030
FSU	4,717	4,946	4,903	4,954
Middle East	8,871	9,048	9,102	9,278
<b>World</b>	<b>100,651</b>	<b>102,089</b>	<b>103,063</b>	<b>104,041</b>
OECS	47,515	45,650	45,557	45,432
Non-OECD	53,136	56,439	57,506	58,609

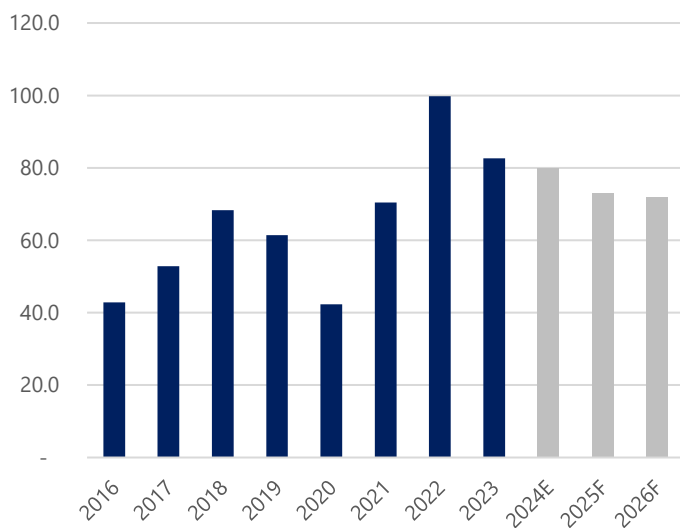
Sources : IEA, MNCS Research

**Exhibit 92. World oil production by region (Mbpd)**

	2023	1Q24	2Q24	3Q24	4Q24E	2024E	1Q25F	2Q25F	3Q25F	4Q25F	2025F
Africa	7.3	7.3	7.2	7.4	7.5	7.4	7.5	7.5	7.5	7.5	7.5
Latin america	7.0	7.4	7.3	7.5	7.7	7.5	7.7	7.7	8.0	8.3	7.9
North america	27.4	27.6	28.1	28.4	28.6	28.2	28.5	28.8	28.8	29.1	28.8
China	4.3	4.4	4.4	4.3	4.4	4.4	4.5	4.5	4.4	4.4	4.4
Other asia	3.1	3.1	3.1	3.1	3.1	3.1	3.0	3.0	3.0	2.9	3.0
Europe	3.3	3.4	3.3	3.1	3.3	3.3	3.4	3.4	3.3	3.5	3.4
FSU	13.8	13.8	13.5	13.5	13.5	13.5	13.6	13.7	13.8	13.8	13.7
Middle east	30.4	29.9	30.1	30.1	30.1	30.0	30.1	30.2	30.2	30.2	30.2
<b>Total</b>	<b>96.7</b>	<b>96.8</b>	<b>96.9</b>	<b>97.4</b>	<b>98.2</b>	<b>97.3</b>	<b>98.4</b>	<b>98.8</b>	<b>99.0</b>	<b>99.9</b>	<b>99.0</b>

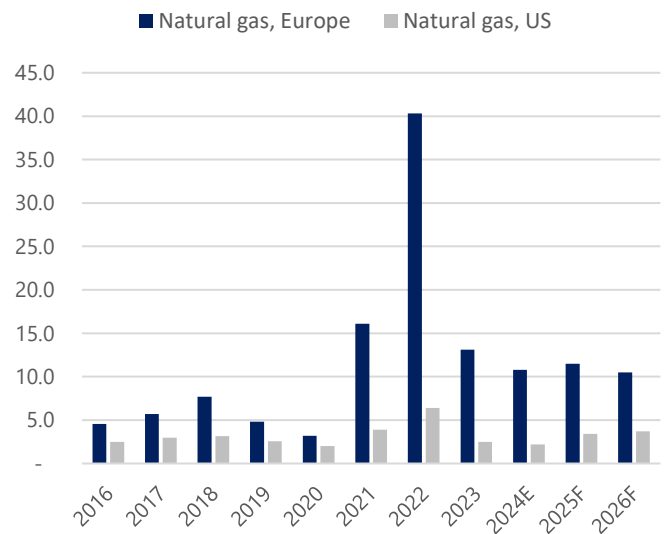
Sources : IEA, MNCS Research

**Exhibit 93. Oil price trend (USD/Bbl)**



Sources : World Bank, MNCS Research

**Exhibit 94. Natural gas prices (USD/Mmbtu)**



Sources : World Bank, MNCS Research

**Exhibit 95. World natural gas consumption and production by region (Bcm)**

Consumption	2020	2021	2022	2023	2024E
Africa	161	169	170	176	181
Asia pacific	834	891	877	902	948
Central and South america	142	153	150	149	152
Eurasia	585	649	622	631	650
Europe	576	609	524	488	487
Middle east	546	562	580	592	610
North america	1,079	1,091	1,144	1,157	1,172
<b>World</b>	<b>3,923</b>	<b>4,124</b>	<b>4,067</b>	<b>4,095</b>	<b>4,199</b>
Production	2020	2021	2022	2023	2024E
Africa	240	260	251	253	255
Asia pacific	622	648	660	670	686
Central and South america	150	148	151	149	150
Eurasia	866	960	865	830	864
Europe	230	222	230	215	220
Middle east	670	692	715	725	750
North america	1,145	1,172	1,240	1,285	1,275
<b>World</b>	<b>3,923</b>	<b>4,105</b>	<b>4,112</b>	<b>4,127</b>	<b>4,200</b>

Sources : IEA, MNCS Research

## Plantation Overweight

### Upside Potential from Favorable ASP to Boost Profitability

#### Expected flat CPO output amid solid domestic demand

We anticipate flat CPO output in FY25F, attributed to another year of La Nina. On the flip side, export volume is expected to weaken amid solid domestic demand, which underpins CPO prices. Notably, CPO production dropped by -4.8% YoY to 31.5mn tons in 7M24 (vs 33.1mn tons in 7M23), with PKO output tumbling by -5.2% YoY to 3.0mn tons (vs 3.2mn tons in 7M23). Meanwhile, total domestic palm oil consumption remained resilient, rising by +2.4% YoY to 15.6mn tons in 7M24 (vs 15.2mn tons in 7M23), largely due to an increase in biodiesel usage by +10.6% YoY. This demand has caused export performance to fall by -10.1% YoY, reducing ending stock levels to 2.5mn tons, the lowest so far this year. Concurrently, CPO prices have surged +35% YTD, boosting the blended ASP of plantation companies under our coverage by +10% YoY in 9M24. In addition, lower raw material prices, especially fertilizer, drove aggregate net profit up +46.5% YoY, translating to a NPM increase of +2.9 ppt YoY to 10.7% (vs 7.8% in 9M23).

#### Government initiatives to secure supply and advantageous regulation for exporters

- The government has mandated B40 biodiesel for early FY25F, which is expected to increase CPO demand volume for biodiesel by around 1.6-2.4mn kl, bringing the total to 15.8mn kl. Additionally, we assess the **Ministry of Trade Regulation No.26/2024** as extending the domestic market obligation (DMO) to include products like Palm Oil Mill Effluent (POME), aimed not only at securing supply for MinyaKita but also supporting B40 needs.
- Furthermore, the **Ministry of Finance Regulation No.62/2024** will benefit exporters by relaxing and simplifying levy tariffs. For instance, CPO products will now be subject to a 7.5% levy based on reference prices, instead of the previous USD55-240/MT. As an example, the Nov-24 CPO reference price is USD961.97/MT, translating to a levy cost of USD72.1/MT, which is lower than USD100/MT under previous regulation No.154/2022, if spot prices are equivalent (see [Exhibit 10](#)).

#### Confidence in La Nina momentum, leading to higher price projections

In its 2025 climate outlook, the BMKG projects a mild La Nina extending until Mar-25, with roughly 67% of Indonesian regions, including palm oil plantation areas, likely to experience above-average rainfall. Similarly, MET Malaysia forecasts slightly higher-than-average rainfall for the Sabah region (~24% of CPO production) through Apr-25. Given these conditions, we expect a supportive environment for CPO prices amid potential supply constraints. **Our projection indicates CPO prices will continue to strengthen in FY25F, with a range of MYR4,700-5,700/MT** and an annual average at MYR5,000/MT (see [Exhibit 03](#)). This forecast is based on back-testing of Malaysian CPO stock levels and the Oceanic NiNo Index (ONI) as a proxy for El Nino/La Nina conditions. Meanwhile, we expect minimal risk to CPO prices amid the positive spread with Soybean Oil (resulted in a premium, see [Exhibit 06](#)). We anticipate a lower output from Brazil (16% cont.) moving forward, with an expected decline of -1.3% YoY in FY24E.

### Limited risk from mixed export performance

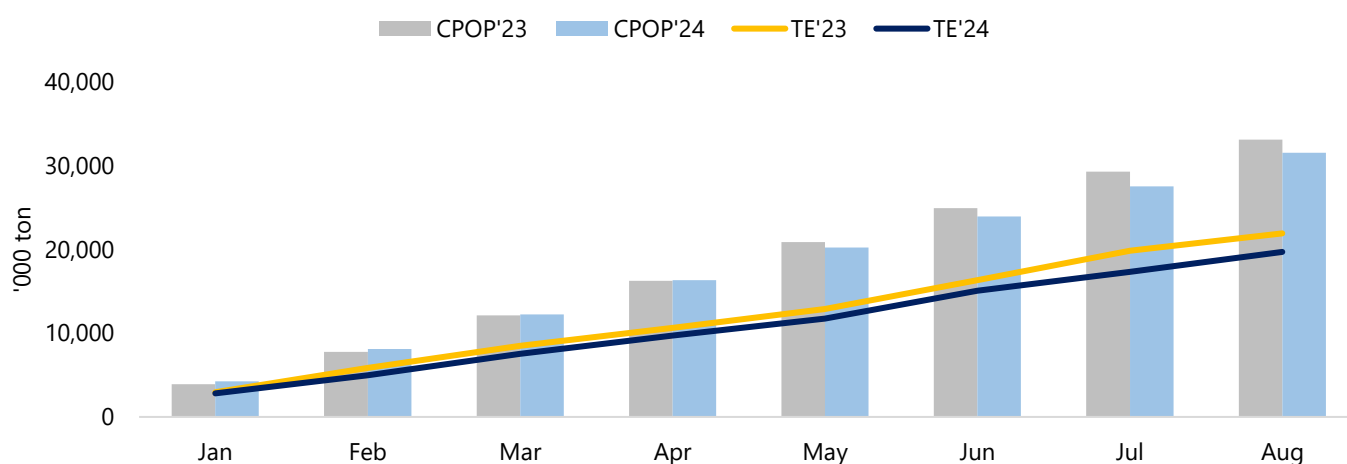
We believe the potential decline in export demand to India in FY25F, due to rising domestic production, should not pose a major threat. Notably, India's market share volume of total palm oil exports fell to ~19% in FY23 (vs ~25% in FY17). In contrast, exports to China and the US have shown promising growth, with CAGR of 5.2% and 12.1%, respectively, from FY18 to FY23. Export volumes to Pakistan and Bangladesh have also remained relatively resilient in recent years (see [Exhibit 09](#)). Our discussions with one plantation company indicate plans to explore opportunities in Pakistan. Thus, we consider any mixed export performance in FY25F as a limited risk, likely offset by rising domestic demand through B40.

### Overweight Recommendation for Plantation Sector

Given the potential for continued CPO price increases, driven by La Nina momentum and solid domestic demand due to B40, we give an **Overweight rating for the Plantation sector. Our top picks are DSNG (BUY; TP: IDR1,400/share) and STAA (BUY; TP: IDR1,000/share)**, with implied FY25F PE of 7.8x/7.0x. We anticipate these companies will benefit from rising prices and sound cash control. Meanwhile, we put a **HOLD recommendation for AALI (TP: IDR7,100/share) and LSIP (TP: IDR1,150/share)**, as they offer limited upside. With a proven track record, we expect DSNG's oil extraction rate (OER) to remain solid at ~23-24% in FY25F, supporting a projected net profit increase of 71.3% YoY. We also like STAA, which plans to double its palm kernel crushing (PKC) capacity to 600tons/day and expand into midstream processing through a new refinery and fractionation plant. Interestingly, foreign institutional ownership in DSNG and STAA has continued to rise, reaching 4.7%/0.4% in Oct-24 (vs 1.5%/0.1% in Jan-24). Downside risks include CPO prices falling below expectations, prolonged ENSO Neutral conditions, and potential unfavorable government policies.

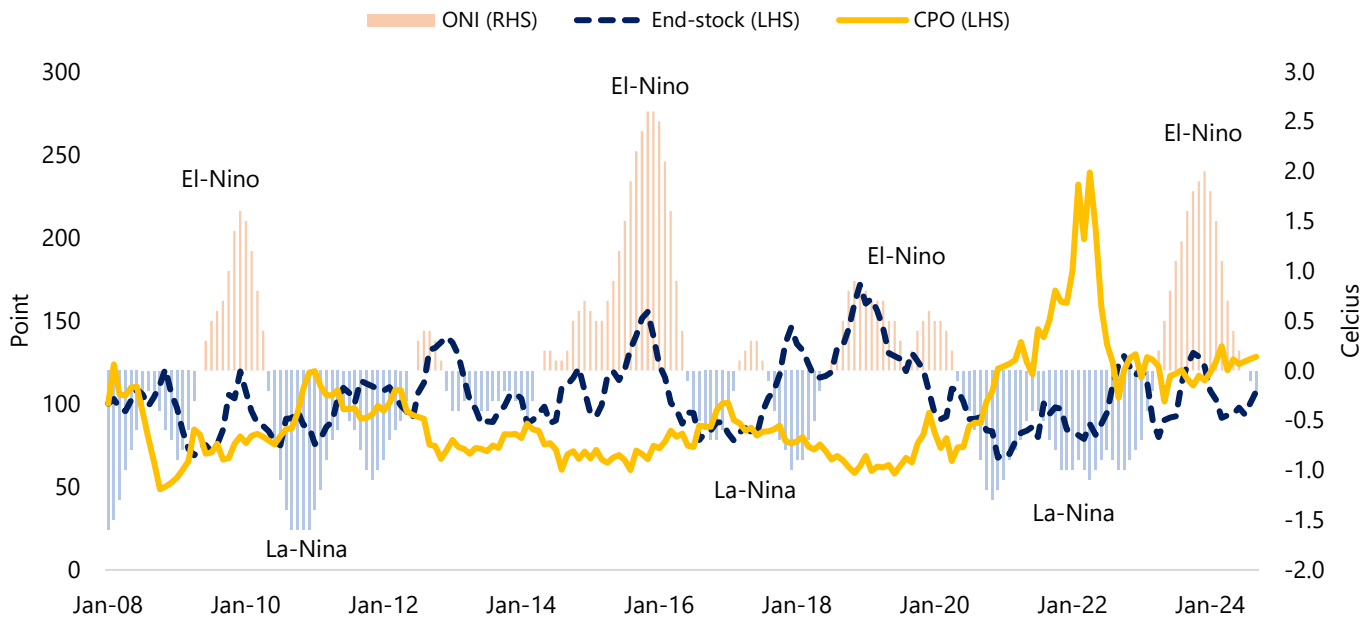
Ticker	Mkt Cap (IDR tn)	P/E (x)		PBV (x)		Rec	TP (IDR/sh)
		FY24E	FY25F	FY24E	FY25F		
AALI IJ	12.6	13.1	12.2	0.6	0.6	HOLD	7,100
DSNG IJ	12.3	13.3	7.8	1.5	1.3	BUY	1,400
LSIP IJ	7.7	7.7	7.0	0.6	0.6	HOLD	1,150
STAA IJ	9.6	10.6	7.0	2.0	1.8	BUY	1,000

Exhibit 96. Output production and export volume in FY24 vs FY23 (cumulative)



Sources : GAPKI, MNCS Research (CPOP: CPO production, TE: Total Export)

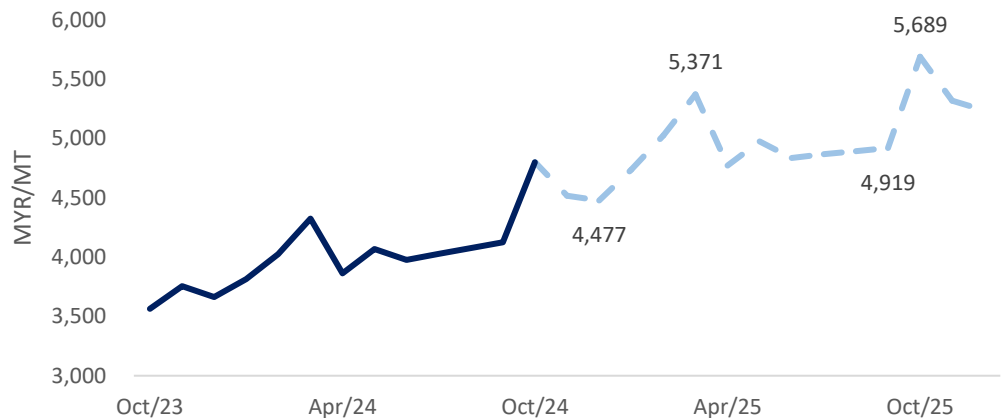
**Exhibit 97. Anticipated lower stock levels may ramp up CPO prices**



Sources : Bloomberg, MPOB, NOAA, MNCS Research (Rebased)

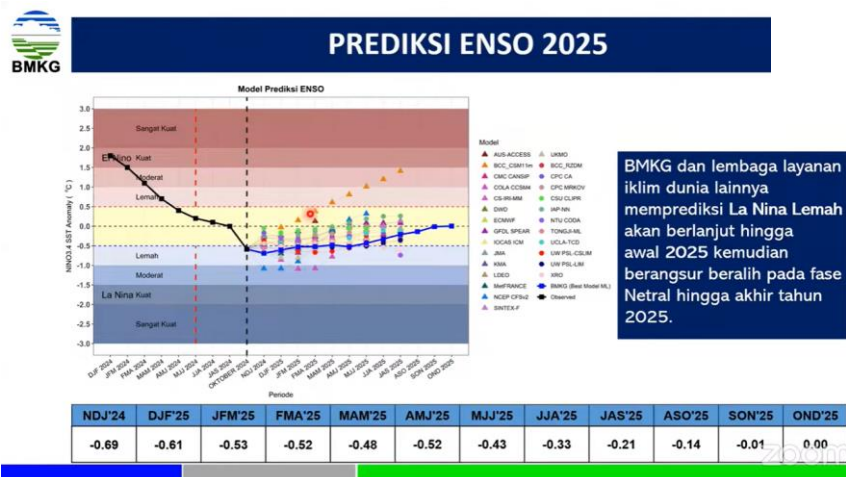
**Exhibit 98. Our projection for CPO prices is within the MYR4,700–5,700/MT range, with an annual average of MYR5,000/MT**

We used ONI and Malaysian CPO stock levels as variables to simulate CPO pricing under La Nina conditions in FY25F. ONI and stock levels demonstrate a negative correlation with CPO prices, as shown in Exhibit 02



Sources : Bloomberg, MNCS Research

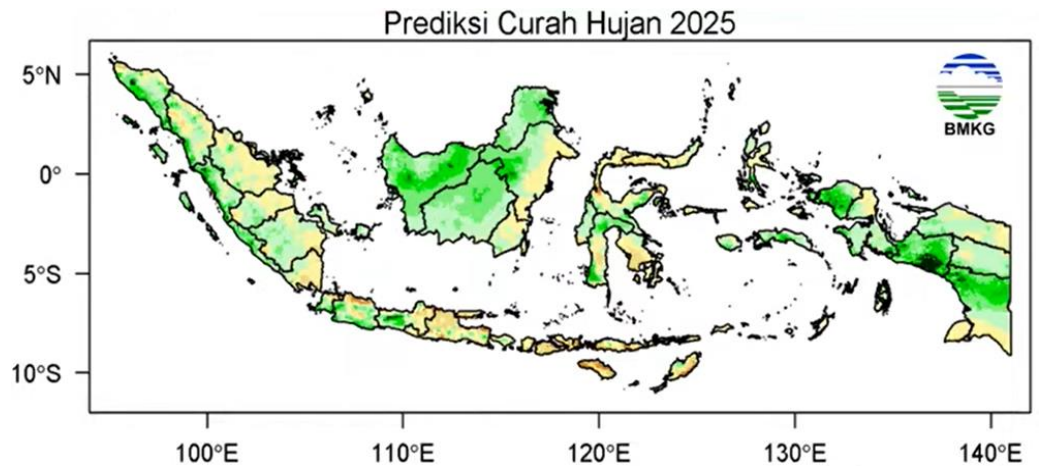
**Exhibit 99. We expect ENSO Neutral in 2H25 to act as a buffer for productivity yield**



Source : BMKG

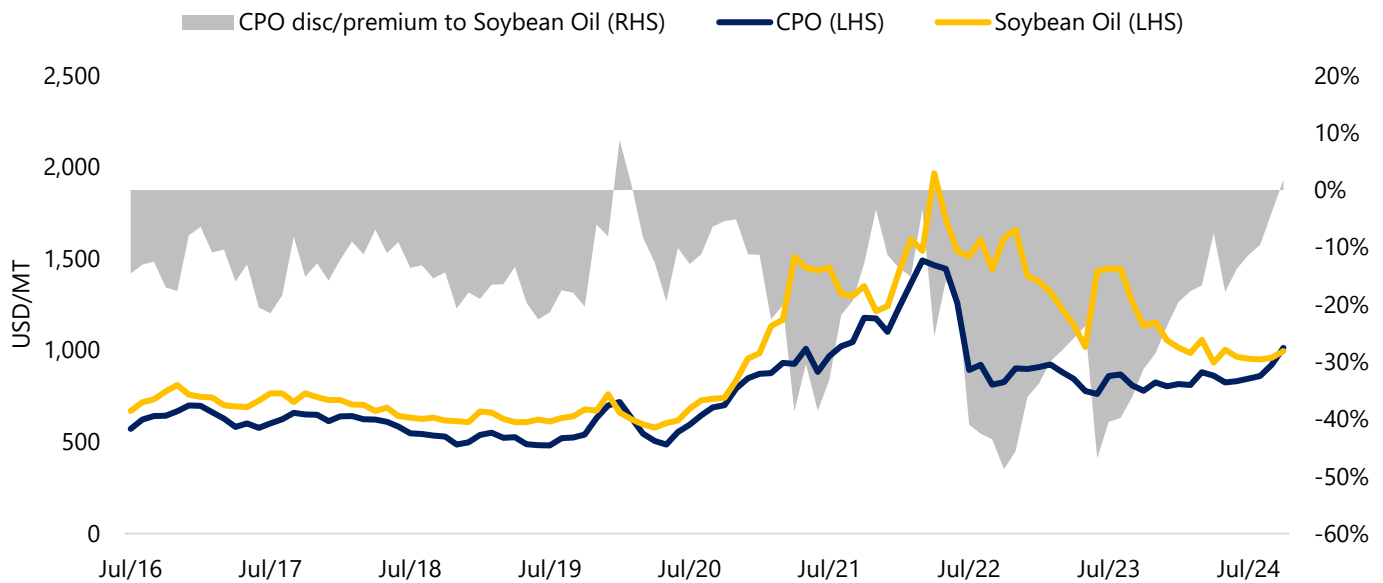
**Exhibit 100. BMKG forecasts that 67% of the regions will experience high rainfall levels in FY25F**

*Regions likely to experience high rainfall include key palm oil plantation areas such as North Sumatra, parts of Riau, South Sumatra, parts of Kalimantan, and central and southern Sulawesi*



Source : BMKG

**Exhibit 101. Recently, CPO has been trading at a premium to soybean oil**



Sources : Bloomberg, MNCS Research

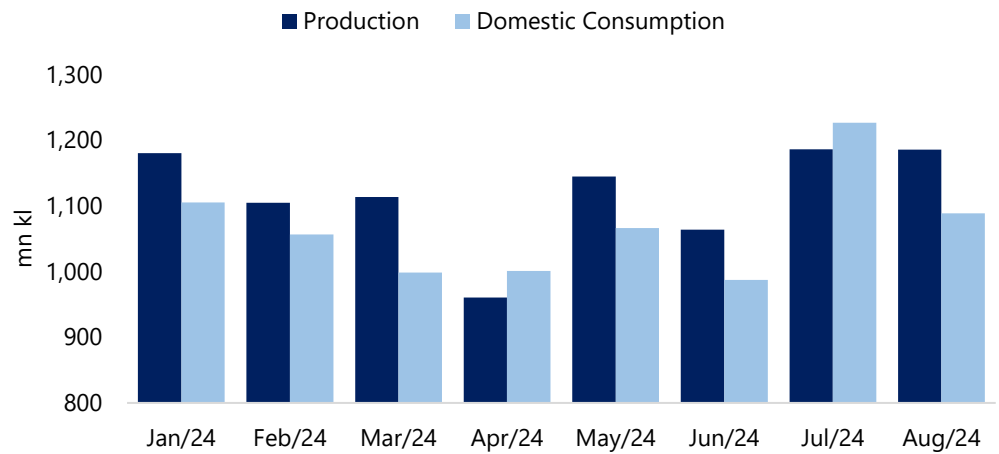
**Exhibit 102. The new levy tariff will benefit exporters, but risks remain due to potential increases in import tariffs**

Products	Levies		Nov-24 reference prices at USD961.97/MT	
	Old (USD/MT)	New	Old	New
CPO	55-240	7.5%	100	72.1
POME	5	7.5%	5	72.1
UCO	35	6%	35	57.7
PFAD	45-214	6%	90	57.7
RBD Palm Olein	35-204	4.5%	80	43.3
Biodiesel	25-194	3%	70	28.9

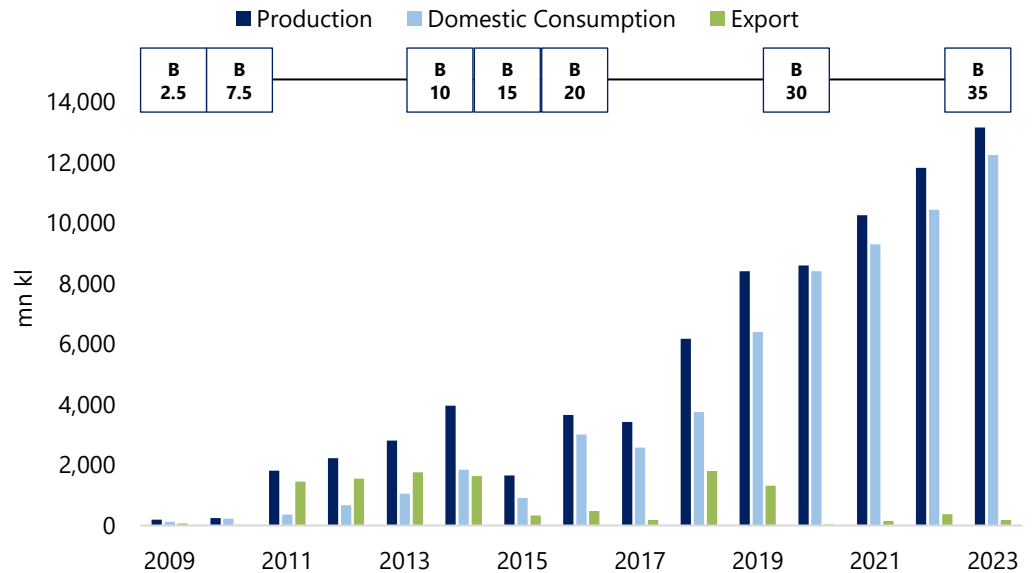
Sources : MoF, MNCS Research

**Exhibit 103. Biodiesel production has steadily increased since the implementation of B20**

**a. Jan-Aug'24**

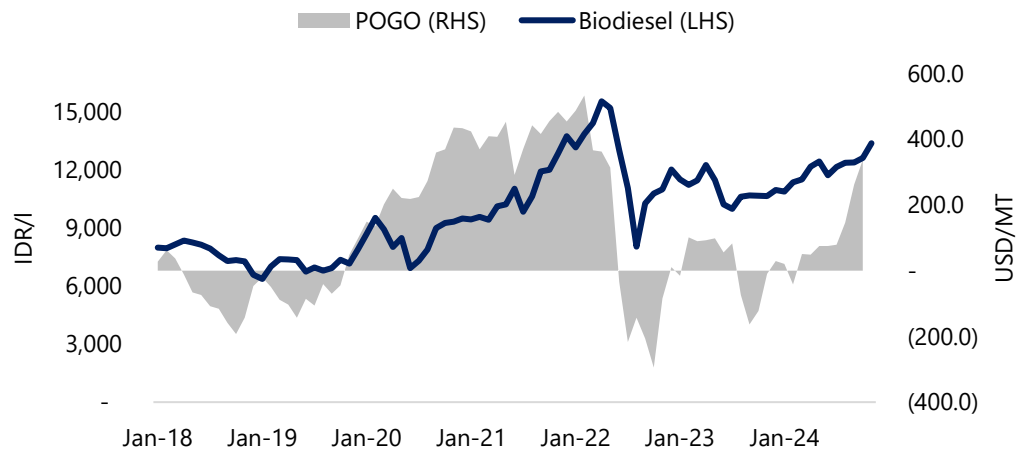


**b. Annual**



Sources : EBTKE, MNCS Research

**Exhibit 104. The Biodiesel Market Index Price (HIP) has continued to rise, aligning with the widening spread between palm oil and gas oil (POGO)**



*Given the limited BDPKPS budget, we see a possibility for the government to increase export levy, particularly to support Biodiesel-related incentives*

Sources : EBTKE, Bloomberg, MNCS Research

**Exhibit 105. Palm oil export by country; although there is a potential for higher US tariffs on palm oil products with the Trump's victory, the easing geopolitical situation in the Middle East may offset this impact**

**a. % Contribution**

Country	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
India	26.6%	20.4%	20.7%	22.2%	25.2%	21.5%	15.3%	16.6%	11.3%	18.4%	18.9%
China	12.1%	11.3%	14.9%	13.0%	12.4%	14.2%	19.7%	16.1%	17.6%	15.7%	19.0%
Pakistan	4.7%	7.5%	8.2%	8.6%	7.5%	8.3%	7.3%	8.9%	9.7%	10.3%	8.8%
Netherlands	7.5%	5.9%	5.1%	4.7%	4.9%	4.2%	3.6%	2.7%	2.1%	2.0%	1.4%
US	2.0%	2.0%	2.6%	3.9%	4.0%	3.8%	3.9%	4.1%	6.0%	6.7%	6.9%
Spain	2.8%	3.8%	3.6%	4.6%	4.7%	3.9%	3.6%	4.1%	3.6%	2.3%	2.3%
Egypt	3.3%	4.3%	4.1%	4.1%	4.1%	3.1%	3.6%	3.5%	3.8%	2.5%	3.4%
Bangladesh	3.4%	4.3%	4.0%	3.8%	4.2%	4.7%	4.5%	3.7%	4.8%	4.9%	4.8%
Italy	4.5%	5.6%	4.2%	4.1%	3.9%	3.0%	2.5%	3.4%	2.3%	2.2%	1.4%
Singapore	3.7%	3.3%	2.8%	3.0%	2.1%	1.5%	2.0%	1.3%	0.2%	0.4%	0.1%
Others	29.2%	31.8%	29.9%	28.1%	26.9%	31.8%	34.0%	35.5%	38.6%	34.5%	33.1%

**b. Volume '000 ton**

Country	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
India	6,192	4,984	5,887	5,459	7,377	6,416	4,655	4,632	3,102	4,999	5,407
China	2,824	2,761	4,230	3,209	3,642	4,216	5,983	4,484	4,860	4,279	5,441
Pakistan	1,104	1,828	2,326	2,109	2,194	2,460	2,217	2,491	2,680	2,811	2,514
Netherlands	1,748	1,451	1,441	1,157	1,429	1,262	1,104	766	580	552	393
US	469	492	737	960	1,159	1,121	1,195	1,130	1,651	1,810	1,985
Spain	659	924	1,011	1,127	1,378	1,171	1,086	1,144	995	637	655
Egypt	762	1,042	1,158	1,002	1,203	938	1,096	975	1,042	682	968
Bangladesh	800	1,050	1,143	934	1,240	1,410	1,360	1,035	1,327	1,330	1,369
Italy	1,043	1,369	1,204	1,012	1,129	900	753	945	623	596	401
Singapore	855	801	797	730	624	436	595	367	56	110	22
Others	6,800	7,779	8,498	6,921	7,885	9,464	10,336	9,876	10,655	9,372	9,474
<b>Total</b>	<b>23,255</b>	<b>24,481</b>	<b>28,432</b>	<b>24,621</b>	<b>29,258</b>	<b>29,794</b>	<b>30,380</b>	<b>27,844</b>	<b>27,571</b>	<b>27,177</b>	<b>28,628</b>
YoY Growth	13.3%	5.3%	16.1%	-13.4%	18.8%	1.8%	2.0%	-8.3%	-1.0%	-1.4%	5.3%

Sources : BPS, MNCS Research

## Property Overweight

### Positioned for the Next Growth Wave

#### Optimistic Sales Performance and Market Stability Forecast Through FY25F

The sales of landed houses are expected to remain strong until FY25F, supported by the increasing homeownership trend, which rose from 80.1% in FY20 to 84.8% in FY23, while the rental trend has decreased to 5.1%. Housing credit grew by 10.8% YoY and reaching IDR738.1 trillion as of 8M24, consisting of landed houses at IDR707 trillion and high-rise units at IDR30.7 trillion, with mortgage rates (KPR/KPA) decreasing to 6.9%/7.4% (vs 7.4%/7.6% in 8M23), attracting more buyers. Bank Indonesia's data indicates that residential sales are currently growing moderately at 7.3% YoY in 1H24 (vs 31.2% YoY in 1H23). Developers project marketing sales to grow by 5%-10% YoY in FY24-FY25F, reflecting market stability despite the potential slowdown following the post-commodity boom normalization in FY22-FY23 (which grew by 7.9%/10.3% YoY, respectively).

#### Low Interest Rates and Regulatory Incentives: Shaping Property Ownership Trends

- Bank Indonesia (BI) has reduced the BI rate by 25 bps to 6% in 3Q24 and is expected to decrease further to 5.75% in FY24 and 5% in FY25F. We view this as a positive catalyst for both developers and consumers, as 72.9% of project funding comes from developers' internal funds, while 75.5% of consumers utilize mortgage facilities for property ownership. The government is also committed to achieving a "zero backlog" in property by 2045, with the current deficit standing at 10 million units in FY23. Two government incentives supporting property sales include: 1) The extension of the 100% VAT DTP for homes up to IDR5 billion per unit until FY25F; and 2) The elimination of the Land and Building Acquisition Duty (BPHTB).
- We view this plan as quite positive in reducing additional costs incurred when purchasing property, which will effectively cut costs by approximately 16%, thus enhancing the public's ability to purchase property more swiftly. We expect developers to capitalize on this momentum and the incentives provided by the government, utilizing their current inventory. Notably, the average developer in our coverage has increased their inventory by 3.8% YTD. We project that developers will be able to achieve marketing sales growth of over 5% in FY25F, supported by government incentives combined with promotional offers from developers aimed at attracting consumer interest.

#### Assessing Economic Pressures on the Property Market Moving Forward

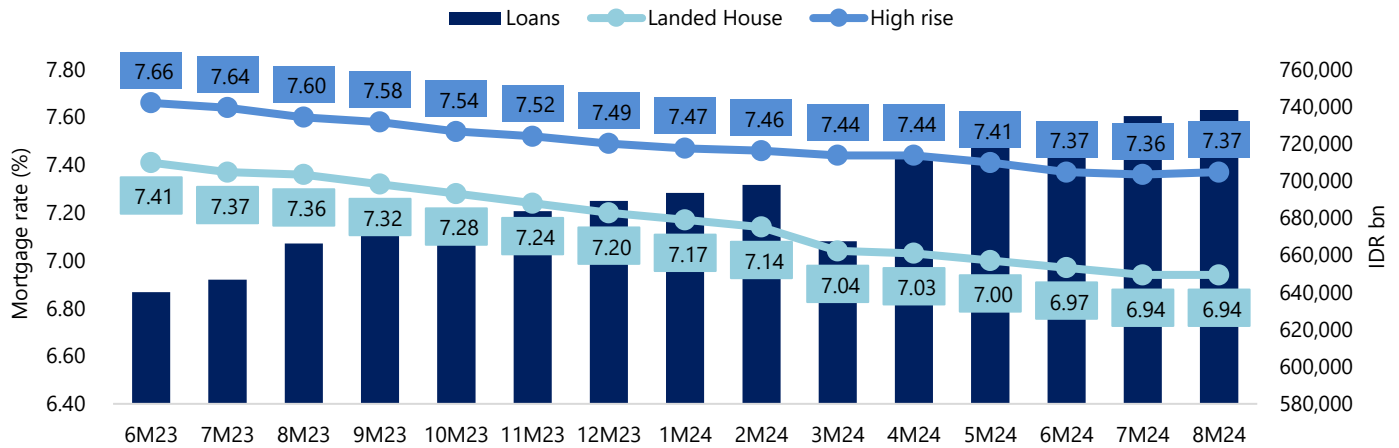
Since May 2024, deflation has persisted through September 2024, indicating restrained consumer spending, alongside Indonesia's manufacturing PMI, which has stayed below 50 since July 2024. Over the past three years, Indonesia's middle class has also been in decline, a trend further impacted by rising food prices, which have made it difficult for many to meet basic needs. This situation presents a risk for property sales, as the middle class remains the primary group with the purchasing power to invest in property. Monitoring these developments closely will be essential for assessing market potential.

#### Overweight Recommendation for the Property Sector

We maintain an **Overweight rating for the property sector**. The valuation is based on an average NAV discount ~55%-70%. **BSDE, CTRA, SMRA and PWON** are our top picks, as they will benefit from the incentive program due to its high product mix <IDR5 billion per unit. Purchasing power has not fully recovered, and macroeconomic fluctuations continue to present risks that need to be closely monitored. Consequently, developers may opt to postpone the launch of new property.

Ticker	Mkt Cap (IDR tn)	P/E (x)		P/B (x)		Rec	TP (IDR/Sh)
		FY24E	FY25F	FY24E	FY25F		
BSDE IJ	23.2	9.0	8.3	0.8	0.7	BUY	1,550
CTRA IJ	22.7	9.2	8.2	1.2	1.1	BUY	1,660
SMRA IJ	9.2	12.7	11.9	1.3	1.2	BUY	910
PWON IJ	18.9	11.5	10.2	1.1	1.0	BUY	600

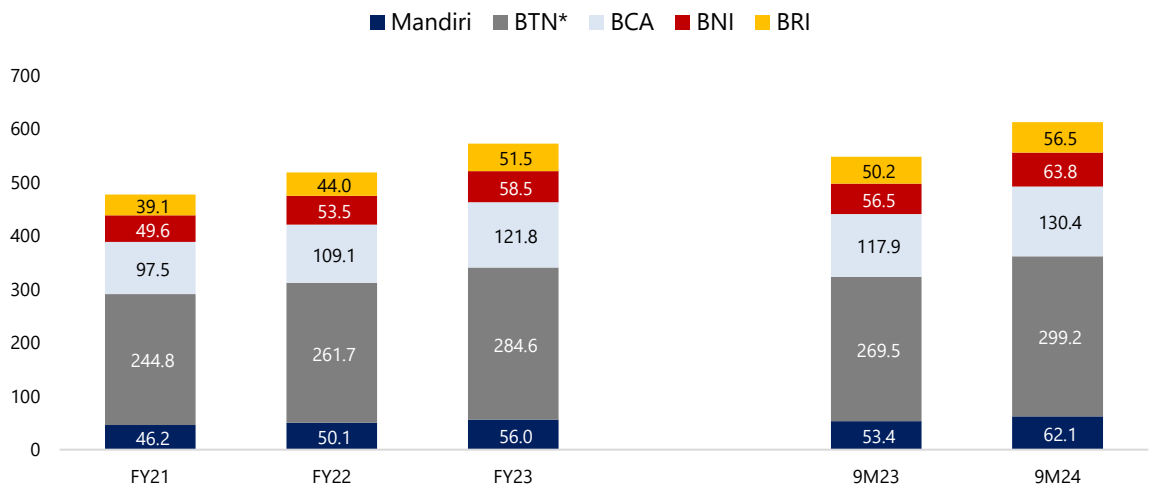
**Exhibit 106. The trend of mortgage distribution and mortgage rate**



Sources : OJK, MNCS Research

**Exhibit 107. Trend of mortgages disbursed 5 big banks in FY21-9M24 (IDR tn)**

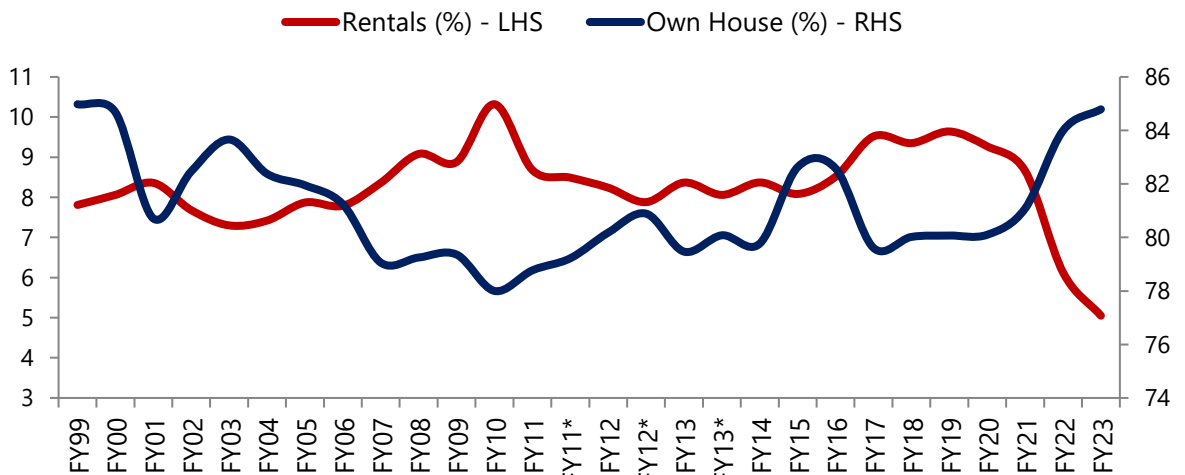
*On average growth of mortgages disbursed +11.8 YoY in 3Q24*



Sources : Companies, MNCS Research  
\*Note : in 1H24

**Exhibit 108. The trend of rental vs own house in 1999-2023**

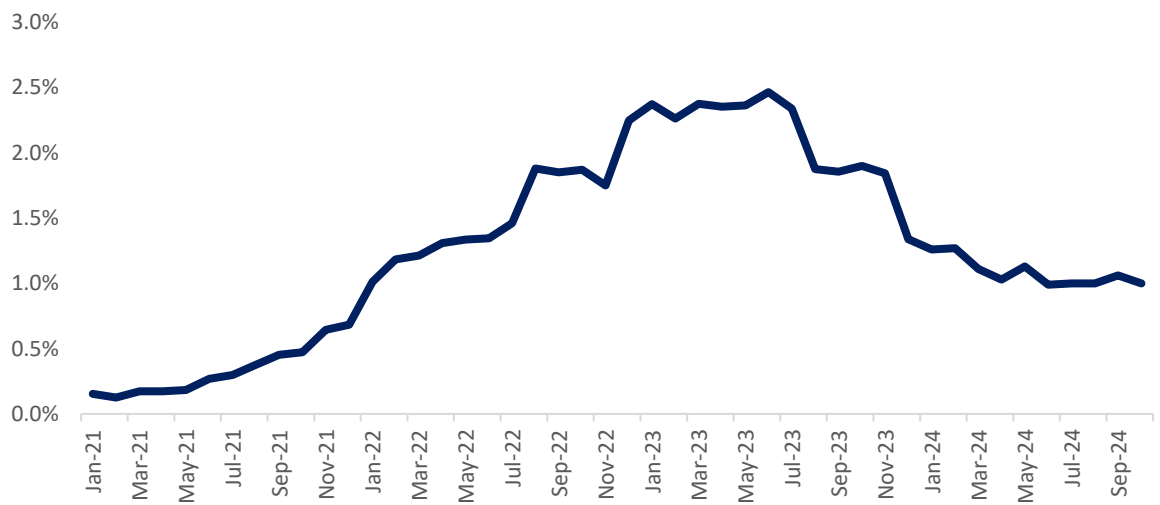
*The ownership increased to 84.5% in FY23. We attribute this to rising rental costs, supported by increased mortgages disbursement and higher sales volumes*



Sources : BPS, MNCS Research

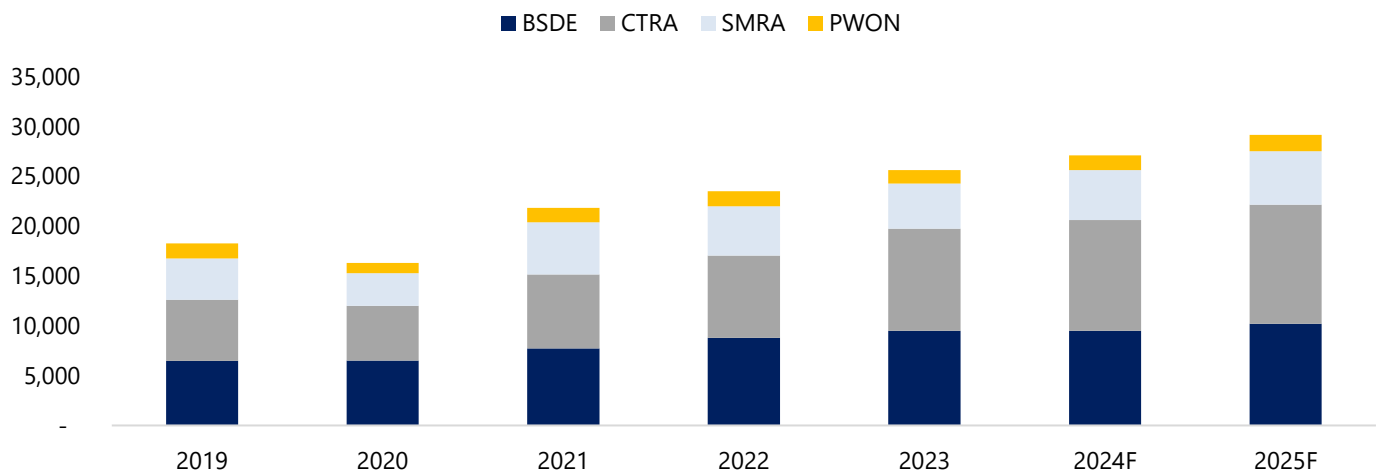
**Exhibit 109. The trend of inflation property rental index in FY21-1H24**

*Starting from 2022, the property rental inflation index has been increasing up to Oct-24, prompting consumers to prefer purchasing homes instead*



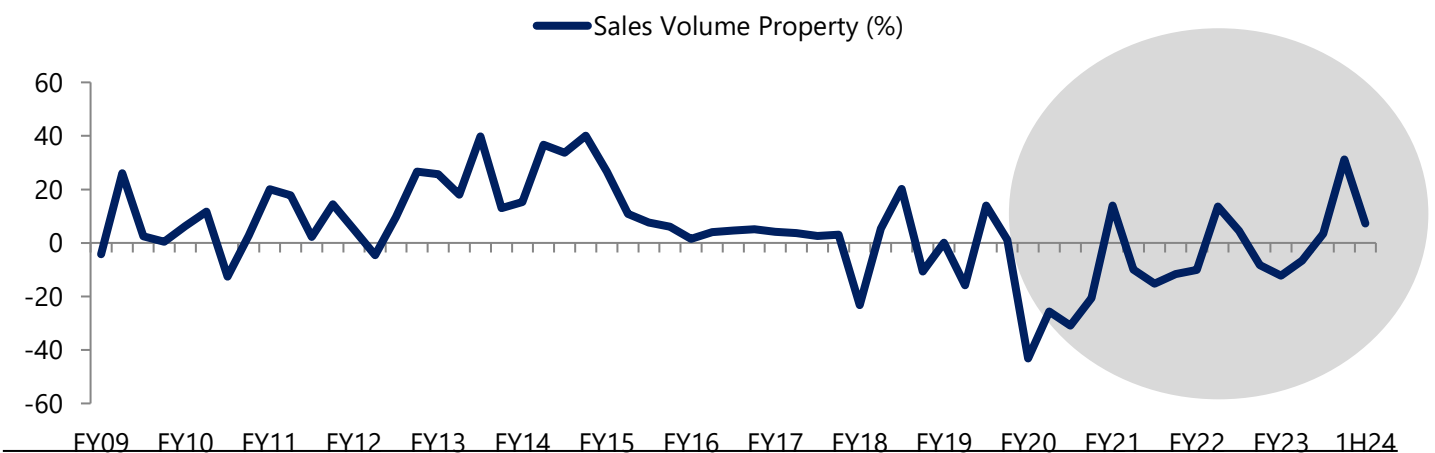
Sources : BPS, MNCS Research

**Exhibit 110. The trend of marketing sales in 2019-2025 (IDR bn)**



Sources : Company, MNCS Research

**Exhibit 111. The trend of sales volume property in FY09-1H24 (%)**



Sources : BI, MNCS Research



## Telco Overweight

### Into The New Path Of Digitalization Era

#### Telco's: Data Traffic and ARPU Trends

Indonesia's economic growth is driven by investments in digital infrastructure, aiming for 79.5% penetration by 2024 and a USD1 trillion digital economy by 2030, aligning with the **Golden Indonesia 2045** vision. Meanwhile, competition among telco operators remains fierce. TLKM leads in data traffic and ARPU but faced an ARPU decline in Q3 2024, nearing 2021 levels, due to seasonal factors and a shift toward affordable packages like Telkomsel Lite, which increased data traffic. XL and IOH demonstrated growth in both ARPU and data traffic, bolstered by successful price adjustments and confidence in user growth. Both are enhancing service quality through acquisitions and innovations to remain competitive in the evolving market.

#### Tower's: Continuously to expansion in slower purchasing power

Tower companies continue to expand despite a decline in purchasing power, focusing on the development of fiber optic networks, including FTTH and FTTC. Additionally, these companies are working to improve their operational performance, which is reflected in the growth of the number of telecommunications towers, fiber optic networks and tenants. In the 3Q24, tower companies TOWR and MTEL reported tenancy ratios of 1.64/1.51x. These high tenancy ratios help reduce the operational burden on tenant operators and increase revenue from each tower. Tower companies are also driving growth in the tower and fiber optic business by expanding their reach, both organically and inorganically. We expect the net profit growth for 2025F TOWR and MTEL to be 10.7%/7.1%.

#### Telco's: Strategy to cater slower purchasing power

**EXCL:** To address challenges in the telecommunications industry, the company has adopted a transformation strategy. XL launched the **Bebas Puas** package, a daily plan offering affordable internet access starting from IDR 2,000, with accumulated data quotas and extended active periods.

EXCL will function as ServeCo, managing FMC and FBB services, while LINK will operate as FiberCo. In addition to transferring 750k customers, this transaction also includes the transfer of the Broadband Network Gateway (BNG) and associated software and applications related to ServeCo services. Over the next 5 years, EXCL and LINK will expand their service network to 8 million homes passed, accelerating the penetration of **XL SATU** converged services. Through this transaction, the company can reduce expenses and improve operational efficiency. The transaction is expected to increase infrastructure and customer numbers, thereby boosting the company's revenue. In terms of competition, it can reduce churn rate by enhancing infrastructure and services. We expect the Net profit growth for 2025F EXCL to be 13.2%.

**TLKM:** The **5 Bold Moves** strategy emphasizes operational efficiency through the integration of FBB and FMC services. The integration process is expected to be completed by the end of this year. To maintain competitiveness and price stability, Telkomsel offers products such as **Telkomsel Lite** and **by.U**. On the Fixed services, **TLKM offers EZnet** to reach a wider segment. IndiHome and EZnet are expected to accelerate fixed broadband penetration in Indonesia. Telkomsel, Singtel, and the Bridge alliance have launched the **GPU-as-a-Service (GPUaaS)**, aimed at accelerating AI adoption across various industries such as retail, manufacturing, finance, and logistics. Telkomsel has launched the first **5G Standalone** technology (5G SA) in Indonesia, which has been implemented in several regions and supports the digital transformation of various industries, including 5G Live broadcast, fixed wireless access, and smart glasses. In the other hand, to meet the growing demand of Data centers for storage and processing, currently TLKM is in the process of shortlisting strategic partners who can provide technical expertise, capital, management, and access to the global data center market and expected to be completed by the end of this year or early next year.

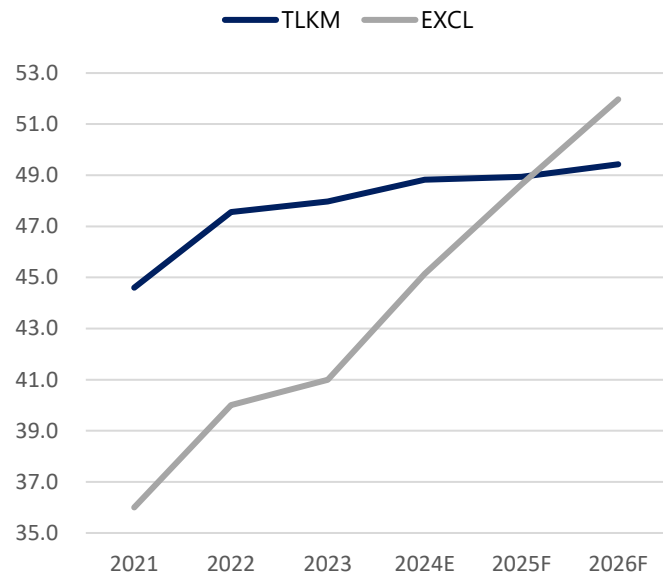
With various transformations and collaborations, these will expand service penetration, maintain service stability to reduce churn rate, and optimize company operations, thus driving an increase in the company's net profit. The 700 MHz spectrum auction, scheduled for Q1 2025, is expected to increase ARPU and provide high revenue growth opportunities. Overall we expect the Net profit growth for 2025F TLKM to be 4.2%.

### Neutral Recommendation for the Sector

We change our recommendation to **Neutral** with a declining ARPU trend due to reduced purchasing power and unstable macroeconomic conditions. In addition, the 12% VAT, which will be implemented next year, will further reduce consumer purchasing power, causing operators to lower their prices. However, we expect the company to succeed in market penetration for convergence and infrastructure upgrades. Our top picks in the telecommunications sector are **1) EXCL IJ (BUY; TP: IDR 2,850); 2) TLKM IJ (BUY; TP: IDR 3,500)**, and for the tower sector: **1) TOWR IJ (BUY; TP: IDR 1,050); 2) MTEL IJ (BUY; TP: IDR 820)**.

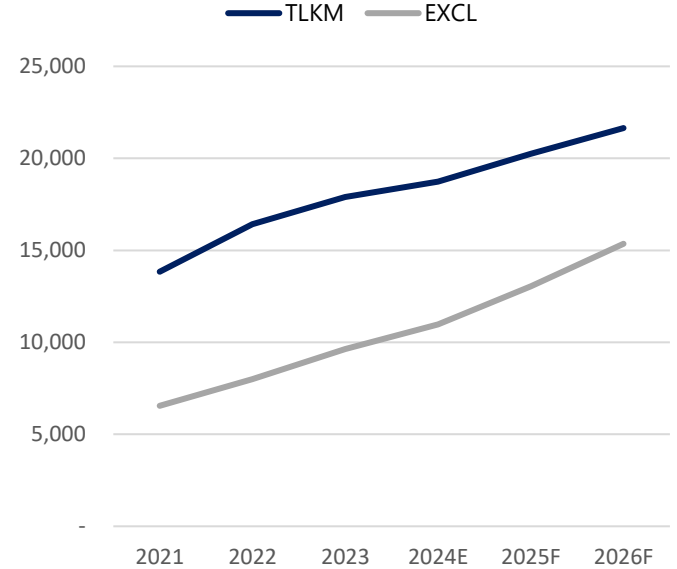
Ticker	Mkt Cap (IDR tn)	P/E (x)		PBV (x)		Rec	TP (IDR/sh)
		FY25F	FY26F	FY25F	FY26F		
EXCL IJ	28.6	14.0	12.3	1.0	0.9	BUY	2,850
TLKM IJ	272.4	11.2	10.8	1.8	1.7	BUY	3,500
TOWR IJ	36.7	9.6	8.8	1.7	1.5	BUY	1,050
MTEL IJ	50.5	22.2	19.9	1.4	1.4	BUY	820

**Exhibit 112. Telco ARPU trend (IDR '000/month)**



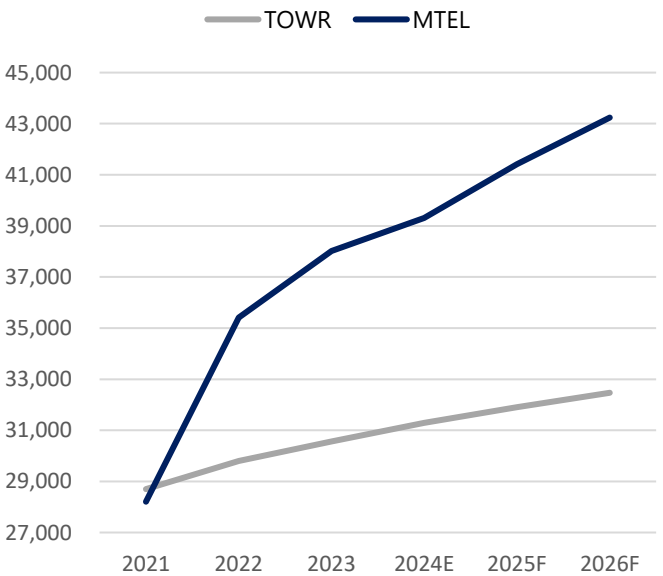
Sources : Company, MNCS Research

**Exhibit 113. Data traffic (Petabyte)**



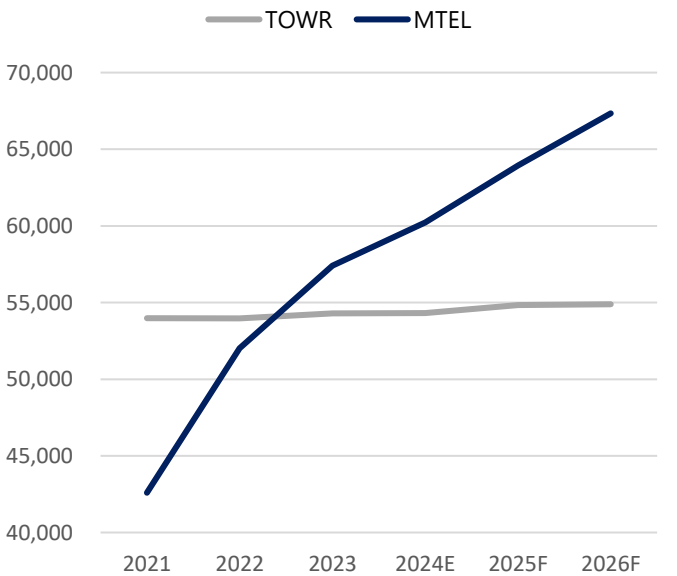
Sources : Company, MNCS Research

**Exhibit 114. Number of towers**



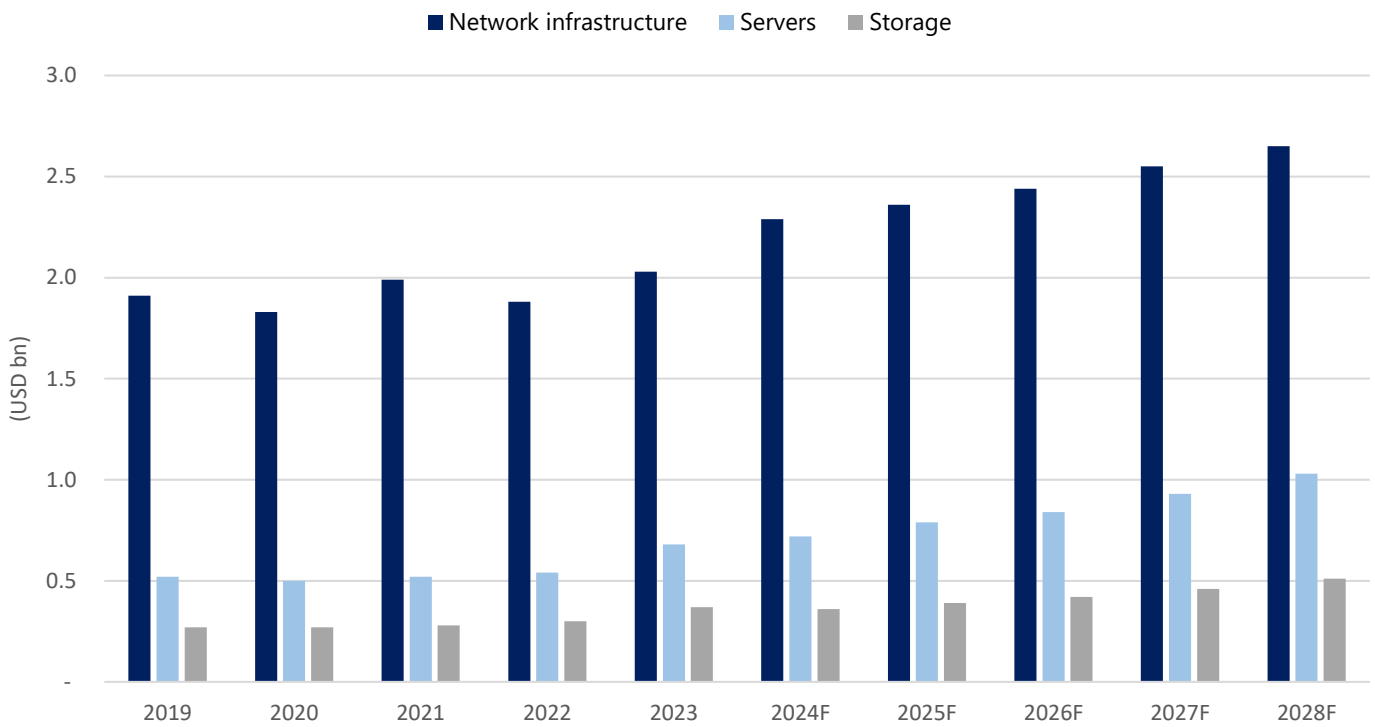
Sources : Company, MNCS Research

**Exhibit 115. Number of tenants**



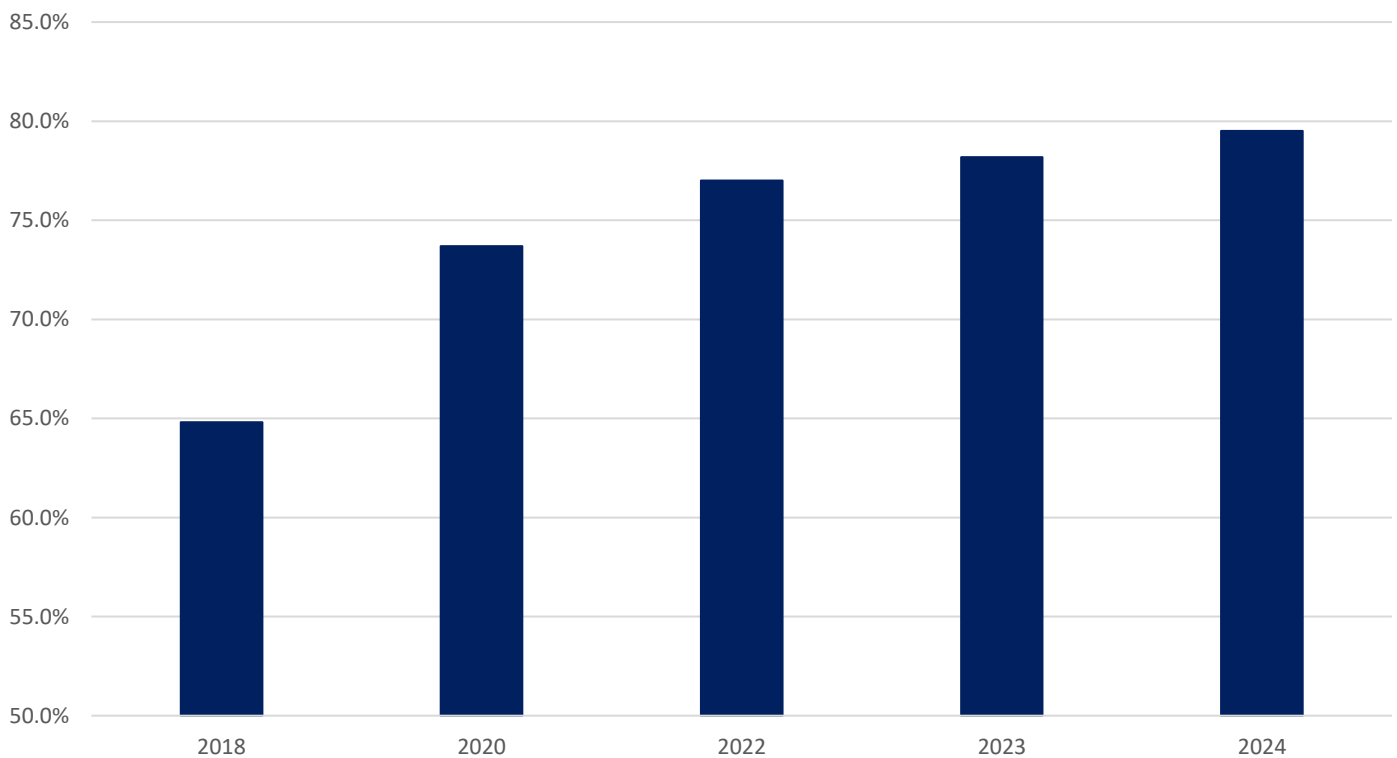
Sources : Company, MNCS Research

**Exhibit 116. Data center market revenue**



Sources : Statista, MNCS Research

**Exhibit 117. Internet penetration in Indonesia**



Sources : APJII, MNCS Research

## MNCS Macroeconomic Forecast

**Exhibit 118. Indicators Forecast Summary for FY25F**

Macro Indicators	Unit	FY24E	FY25F		
			Best	Base	Worst
Real GDP	% YoY	5.00	5.20	5.10	4.90
CPI	% YoY	2.10	2.20	2.70	3.10
BI Rate	%	6.00	4.75	5.25	5.75
USD/IDR	Points	15,750	15,325	15,650	16,100
10-Yr Govt Bond	%	6.85	6.50	6.67	6.85
JCI	Points	7,425-7,578	8,600	8,200	7,250
Implied EPS Growth	% YoY	8	8	6	-4
Implied P/E	x	14	14.2	13.6	12.0

Sources : Bloomberg, MNCS Research

## Primbon Index

### Key takeaways from our Primbon Index

#### About Primbon Index

We have been constructing the Primbon Index since 2018, employing a methodology that combines Elliott Wave analysis with the Javanese calendar system. Over the past seven years, we have observed that the Primbon Index consistently aligns with the movement of the JCI.

The Primbon Index represents our monthly forecast of JCI swing movements, taking into account various factors, including historical seasonality and selected market and economic data that may influence global market performance.

#### JCI to flat and volatile in FY25F

Based on our calculations, the movement of the IHSG in 2025 is expected to be relatively flat and volatile, although we still anticipate an upward trend in the long run. We observe the potential for a relatively deep correction in March-April 2025, followed by a strengthening tendency from May to September 2025. We anticipate several factors will continue to influence the IHSG's movement: 1) The Fed's policy, which remains hawkish; 2) A potential trade war following the increase in import tariffs imposed by the U.S.; and 3) The movement of the Rupiah exchange rate and global commodity prices.

Exhibit 119. Our Primbon Index that depict monthly JCI movement for 2025



Sources : MNCS Research

## MNCS Universe 2025

Code	Index Weight (%)	Rating	Price Target (Rp)	EPS (IDR)			BVPS (IDR)		
				FY24E	FY25F	FY26F	FY24E	FY25F	FY26F
<b>Agriculture</b>									
AALI IJ	0.08	BUY	7,100	544	584	603	11,966	12,244	12,509
DSNG IJ	0.09	BUY	1,400	105	180	129	921	1,070	1,148
LSIP IJ	0.10	HOLD	1,150	149	164	136	1,774	1,878	1,932
<b>Automotive</b>									
ASII IJ	3.07	BUY	5,350	806	845	888	6,670	7,177	7,710
AUTO IJ	0.07	BUY	2,700	394	448	468	3,279	3,577	3,888
<b>Banking</b>									
BBCA IJ	8.71	BUY	11,300	445	504	560	2,274	2,494	2,960
BBNI IJ	2.50	BUY	5,400	574	638	715	4,309	4,660	5,056
BBRI IJ	9.35	BUY	5,800	403	439	491	2,199	2,378	2,539
BMRI IJ	7.42	BUY	6,800	604	679	744	3,463	3,682	3,743
BRIS IJ	0.43	BUY	3,450	145	170	180	955	1,008	1,261
<b>Basic Industry</b>									
ARNA IJ	0.05	BUY	750	51	63	72	277	308	318
<b>Cement</b>									
INTP IJ	0.30	BUY	7,300	433	462	474	6,355	6,216	6,027
SMGR IJ	0.32	BUY	3,700	232	233	240	6,725	6,795	6,855
<b>Cigarette</b>									
GGRM IJ	0.13	BUY	14,100	1,009	739	685	32,641	33,380	33,548
HMSP IJ	0.19	BUY	800	59	60	60	240	242	242
<b>Coal Mining</b>									
ADRO IJ	0.85	HOLD	2,100	360	338	356	4,221	3,995	3,509
ITMG IJ	0.36	HOLD	27,100	5,008	4,723	4,425	23,966	25,107	26,692
PTBA IJ	0.36	HOLD	2,600	438	395	363	2,018	2,084	2,152
<b>Construction</b>									
PTPP IJ	0.03	BUY	550	35	38	42	2,557	2,673	2,796
WEGE IJ	0.01	BUY	100	3	3	3	286	301	317
<b>Consumer</b>									
ICBP IJ	0.90	BUY	14,500	776	850	953	5,880	6,545	7,199
INDF IJ	1.14	BUY	9,200	976	1,041	1,063	7,446	8,233	9,019
SIDO IJ	0.14	BUY	660	38	42	44	120	127	134
UNVR IJ	0.31	BUY	1,750	92	92	115	104	118	118
<b>Healthcare</b>									
HEAL IJ	0.40	BUY	1,720	43	50	56	295	337	382
MIKA IJ	0.21	BUY	3,500	79	87	98	508	556	610
SILO IJ	0.11	BUY	3,540	105	120	135	678	759	849
<b>Heavy Equipment</b>									
UNTR IJ	1.16	HOLD	25,450	4,867	5,259	5,157	20,483	21,981	24,192
<b>Jewelry</b>									
HRTA IJ	0.02	BUY	560	75	85	93	488	556	630
<b>Metal Mining</b>									
ANTM IJ	0.41	BUY	2,000	120	164	191	1,305	1,398	1,502
INCO IJ	0.22	BUY	4,050	89	118	285	3,787	3,818	4,068
MDKA IJ	0.60	BUY	3,050	(33)	35	59	1,740	1,748	1,807
<b>Oil &amp; Gas</b>									
AKRA IJ	0.26	BUY	2,000	160	183	212	791	883	989
MEDC IJ	0.24	BUY	1,950	286	225	252	1,555	1,746	1,957
PGAS IJ	0.59	HOLD	1,550	237	253	258	2,472	2,561	2,645
<b>Poultry</b>									
CPIN IJ	0.93	BUY	5,600	163	236	235	1,722	1,819	1,910
JPFA IJ	0.34	HOLD	2,080	215	220	244	1,390	1,549	1,732

## MNCS Universe 2025

Code	Index Weight (%)	Rating	Price Target (Rp)	EPS (IDR)			BVPS (IDR)		
				FY24E	FY25F	FY26F	FY24E	FY25F	FY26F
<b>Property</b>									
BSDE IJ	0.19	BUY	1,550	173	187	202	1,895	2,082	2,284
CTRA IJ	0.28	BUY	1,660	149	180	203	1,213	1,371	1,549
PWON IJ	0.20	BUY	600	42	47	52	436	481	529
SMRA IJ	0.13	BUY	910	60	71	76	638	688	741
<b>Retail</b>									
ACES IJ	0.18	BUY	900	50	55	64	375	397	426
ERAA IJ	0.09	BUY	470	60	71	85	557	609	672
MAPI IJ	0.37	BUY	2,060	120	141	178	837	984	1,149
RALS IJ	0.02	BUY	460	48	40	36	528	541	556
<b>Technology</b>									
GOTO IJ	2.54	BUY	102	(8)	(4)	(3)	95	100	107
<b>Telco</b>									
EXCL IJ	0.35	BUY	2,850	167	179	208	2,121	2,212	2,317
MTEL IJ	0.27	BUY	820	26	28	31	416	435	444
TBIG IJ	0.15	BUY	3,550	71	69	70	575	610	646
TLKM IJ	4.35	BUY	3,500	229	233	227	1,427	1,497	1,572
TOWR IJ	0.43	BUY	1,050	70	77	84	377	429	485
<b>Toll Road &amp; Utilities</b>									
JSMR IJ	0.26	BUY	6,250	454	567	627	5,793	6,297	6,849
KEEN IJ	0.01	BUY	1,080	63	67	73	844	875	921
PGEO IJ	0.14	BUY	1,830	49	57	55	516	555	601

## MNCS Research Team

### **Victoria Venny Nawang Setyaningrum**

#### **Head of Research**

Coverage : Strategist & Equity

Contribution : Global Market & Investment Trend, Equity Market, Strategy & Banking Sector Outlook

Email : victoria.nawang@mncgroup.com

### **Muhamad Rudy Setiawan**

#### **Senior Analyst**

Coverage : Equity (Manufacture, Property & Construction)

Contribution : Auto, Cement, Construction, Health & Property Sectoral Outlook

Email : muhamad.setiawan@mncgroup.com

### **T. Herditya Wicaksana**

#### **Technical Analyst-Elliott Wave Specialist**

Coverage : Equity

Contribution : JCI Elliott Wave & Primbon Index Construction

Email : herditya.wicaksana@mncgroup.com

### **Ridwan Adi Gunawan**

#### **Economist & Fixed Income Analyst**

Coverage : Macro, Fixed Income

Contribution : Economic Outlook, Strategy, Bond Market

Email : ridwan.gunawan@mncgroup.com

### **Raka Junico**

#### **Research Analyst**

Coverage : Equity (Plantation, Coal, Metal & Mining)

Contribution : Coal, CPO, Metal & Mining, Consumer Sector Outlook

Email : raka.widyaman@mncgroup.com

### **Christian Sitorus**

#### **Research Analyst**

Coverage : Equity (Telco & Tower, Oil & Gas)

Contribution : Telco, Oil & Gas Sector Outlook

Email : christian.sitorus@mncgroup.com

## MNC Research Industry Ratings Guidance

**OVERWEIGHT:** Stock's total return is estimated to be above the average total return of our industry coverage universe over next 6-12 months

**NEUTRAL:** Stock's total return is estimated to be in line with the average total return of our industry coverage universe over next 6-12 months

**UNDERWEIGHT:** Stock's total return is estimated to be below the average total return of our industry coverage universe over next 6-12 months

## MNC Research Investment Ratings Guidance

**BUY :** Share price may exceed 10% over the next 12 months

**HOLD :** Share price may fall within the range of +/- 10% of the next 12 months

**SELL :** Share price may fall by more than 10% over the next 12 months

**Not Rated :** Stock is not within regular research coverage

## PT MNC SEKURITAS

MNC Financial Center Lt. 14 – 16

Jl. Kebon Sirih No. 21 - 27, Jakarta Pusat 10340

Telp : (021) 2980 3111

Fax : (021) 3983 6899

Call Center : 1500 899

### Disclaimer

*This research report has been issued by PT MNC Sekuritas, It may not be reproduced or further distributed or published, in whole or in part, for any purpose. PT MNC Sekuritas has based this document on information obtained from sources it believes to be reliable but which it has not independently verified; PT MNC Sekuritas makes no guarantee, representation or warranty and accepts no responsibility to liability as to its accuracy or completeness. Expression of opinion herein are those of the research department only and are subject to change without notice. This document is not and should not be construed as an offer or the solicitation of an offer to purchase or subscribe or sell any investment. PT MNC Sekuritas and its affiliates and/or their offices, director and employees may own or have positions in any investment mentioned herein or any investment related thereto and may from time to time add to or dispose of any such investment. PT MNC Sekuritas and its affiliates may act as market maker or have assumed an underwriting position in the securities of companies discusses herein (or investment related thereto) and may sell them to or buy them from customers on a principal basis and may also perform or seek to perform investment banking or underwriting services for or relating to those companies.*



**MNC**  **FINANCIAL  
CENTER**