

Is the Sign of Recovery Waning?

Macro Indicators	2020	2021F
Real GDP (%YoY)	-2.07	4.01-4.18
Average Inflation (%YoY)	2.04	1.87
BI-7 DRR (%)	3.75	3.5
Budget Deficit (%GDP)	6.09	5.42
USD/IDR	14,500	14,400
10 yr Indo GB (%)	6.09	6.45-6.64
JCI	5,979	6,320
EPS Growth (%)	-30	20

Source : BI, MoF, BPS, MNCS Estimate

FX Reserves remained high

- Indonesia FX Reserves position stood at USD137.1 bn as of end June-21. There was an increase of USD0.7 bn from previous month figure of USD136.4 bn.
- FX Reserves position was equivalent to finance 9.2 months of imports or 8.8 months of imports and servicing government's foreign debt.
- Increasing FX Reserves position in June-21 was primarily driven by : 1) gov't global Islamic bond (SUKUK Global) issuance as well as 2) improving tax receipts.
- Government of Indonesia had issued SUKUK Global in early June-21 with the total amount of USD3.0 bn comprised of USD1.25 bn for 5-year maturity, USD1.0 bn for 10-year maturity and USD0.75bn for 30-year maturity. This transaction has been rated Baa2 (Moody's Investor Service), BBB (S&P Global Ratings Services) and BBB (Fitch Ratings).
- As of end May-21, government had received of IDR558.9 tn from tax revenue. The figure improved 6.2%YoY and 38.69% from budget target for 2021.
- We expect FX Reserves position to remain high bolstered by strong export performance exceeding consensus expectation amid surging commodity price and foreign inflow.
- In the spot market rupiah closed at 14,525/USD yesterday. Although rupiah has dropped 1.7% against USD from the previous month, we believe adequate FX Reserves will be able to support rupiah's stability.

Strong Consumer Confidence

- Indonesian consumer turned to be optimistic as it is reflected on Consumer Confidence Index (CCI) June's figure.
- CCI increased by 3 points to 107.7 in June-21 from 104.4 in May-21. This was the highest reading since the implementation of Large Scale Social Restriction (PSBB) in April-20.
- Both Current Economic Condition and Economic Expectation Index has continued to gain strength.
- Consumer optimism was observed to improve across all spending and education as well as most age brackets according to Bank Indonesia recent data.

Retail sales tend to decelerate ahead

- Bank Indonesia reported May-21 retail sales growth decelerated. The last figure was slowing to 14.7% YoY from 15.6% YoY in April-21. Retail sales in June-21 was predicted to be at 4.5% YoY.
- Slowing pace of growth was particularly driven by limited demand hike post Ramadan momentum. We observed broad retail sales has decelerated across most commodity groups particularly spare parts and accessories as well as food, beverages and tobacco, while sales of information and communication equipment and cultural and recreational goods slipped into contraction.
- However if slowing retail sales in June-21 materialize it would be in line with slowing pace of inflation, note that June-21 CPI was rising only 1.33% YoY or 35 bps lower than previous month at 1.68% YoY. The inflation rate was also the lowest reading since August-20.

Watch Out Covid-19 Surge!

- As of July 9, 2021 Indonesia recorded an increase of 38,214 Covid-19 cases. Cases continue to rise despite vaccination campaign are ramped up.
- Furthermore, there was 871 additional fatality cases reported at the same time. Yesterday's active cases number has reached 367,733. The total confirmed cases stood at 2.45 mn people.
- The Covid-19 cases spike has forced government to implement emergency public activity restriction (PPKM Darurat) in Java & Bali which contribute 60% from national GDP.
- We expect state spending continues to be intensified in response to Covid-19 cases spike recently. Under Economic Recovery Program (PEN), government allocates nearly IDR40 tn to cushion the economic impact of stricter social restriction by disbursing healthcare support and social assistance.
- With tighter and prolong restriction measures, the downside risk for domestic recovery will likely to materialize. Hence we downgraded our FY21E GDP projection from 4.46% YoY to 4.01-4.18% YoY under scenario of 2.5-4 weeks PPKM Darurat.

Our Covid-19 Modeling : When will the Pandemic End ?

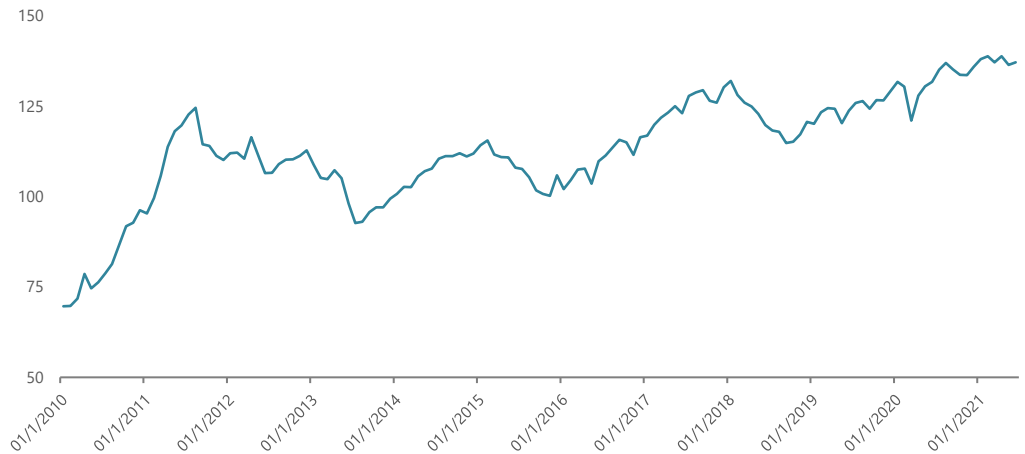
- We tried to model Indonesia Covid-19 cases dynamic using India as proxy model country. Note that we only modeled Indonesia second wave outbreak since the start of exponential phase in early June-21.
- Our model inputs included daily & cumulative cases using logistic growth model to understand the outbreak trajectory.
- The modeling function also considering daily testing rate. Under our base case scenario we estimated the daily cases to reach the peak of the curve by mid July-21 with more than 42,000 cases reported daily. Under this scenario we expect the end of second wave outbreak will be in mid September-21 with the total cumulative cases of 3.91 mn.
- However, if government consistently ramp up the testing capacity following what India did, Covid-19 daily cases will exceed 50,000 in the third week of July-21. Therefore the second wave outbreak won't end by mid September-21. The total cumulative cases will surpass 5.42 mn in the second week of September-21 under the upper scenario.
- We understand that our model has some limitations as it is not including the degree of stringency from social restriction measures as well as vaccination impact function. However we believe that our model will still be able to depict the path of Covid-19 outbreak.



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Indonesia FX Reserves position in June-21 remained high, increasing USD0.7 bn to USD137.1 bn

Exhibit 01. Indonesia FX Reserves Position in June (USD bn)



Sources : Bank Indonesia

Improving state tax revenues by 6.2% YoY in the first 5 months of 2021

Exhibit 02. State Budget Realization as of May-21

State Budget	2020				2021			
	APBN (IDR Tn)	Realization (IDR Tn)	Target	YoY	APBN (IDR Tn)	Realization (IDR Tn)	Target	YoY
A. State Revenues	1,699.95	664.56	39.09%	-8.98%	1,743.65	726.41	41.66%	9.31%
I. Domestic Revenues	1,698.65	663.21	39.04%	-9.11%	1,742.75	726.46	41.68%	9.54%
I.I Tax Revenue	1,404.51	526.26	37.47%	-7.87%	1,444.54	558.89	38.69%	6.20%
I.II Non-Tax Revenue	294.14	136.95	46.56%	-13.57%	298.20	167.57	56.19%	22.36%
II. Grants	1.30	1.35	104.14%	175.35%	0.90	(0.06)	-6.67%	-104.44%
B. Government Spending	2,739.17	843.94	30.81%	-1.40%	2,750.03	945.67	34.39%	12.05%
I. Central Government	1,975.24	537.34	27.20%	1.23%	1,954.55	647.64	33.13%	20.53%
II. Regional Transfer	763.93	306.60	40.13%	-5.69%	795.48	298.03	37.47%	-2.80%
C. Primary Balance	(700.43)	(33.67)	4.81%	-2691.40%	(633.12)	(67.55)	10.67%	100.62%
D. Budget Surplus (Deficit)	(1,039.22)	(179.38)	17.26%	42.62%	(1,006.38)	(219.27)	21.79%	22.24%
E. Budget Financing	1,039.22	357.86	34.44%	123.77%	1,006.38	309.29	30.73%	-13.57%

Sources : Indonesia Ministry of Finance

Rupiah had depreciated by 3% against USD in the 1H21

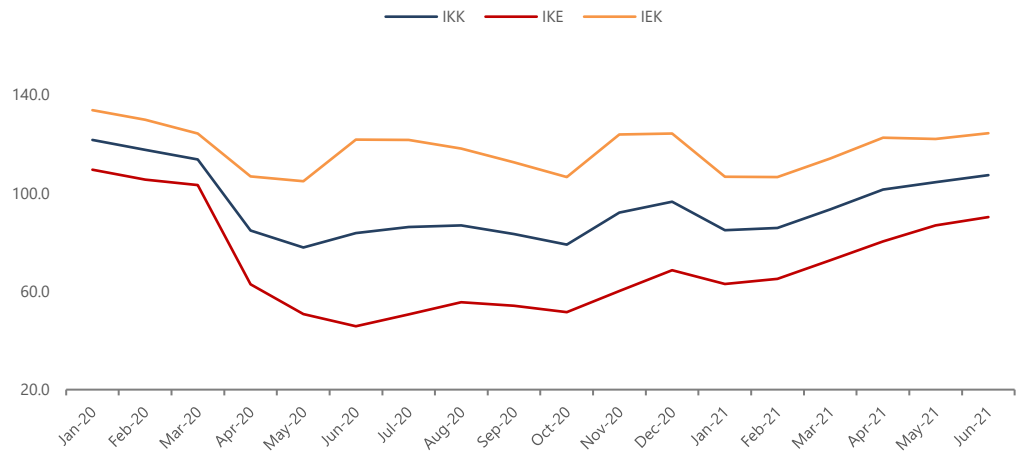
Exhibit 03. Rupiah Performance Against USD in the 1H21



Sources : Bloomberg

Consumer confidence strengthen in June-21, turning to be optimistic well above 100 points

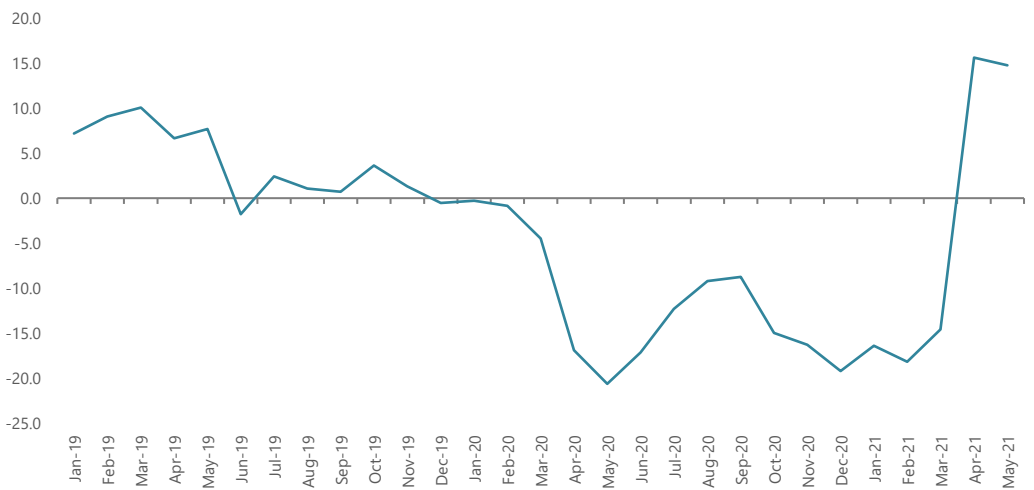
Exhibit 04. Indonesia Consumer Confidence Index in June-21



Sources : Bank Indonesia

Indonesia retail sales growth tend to decelerates ahead

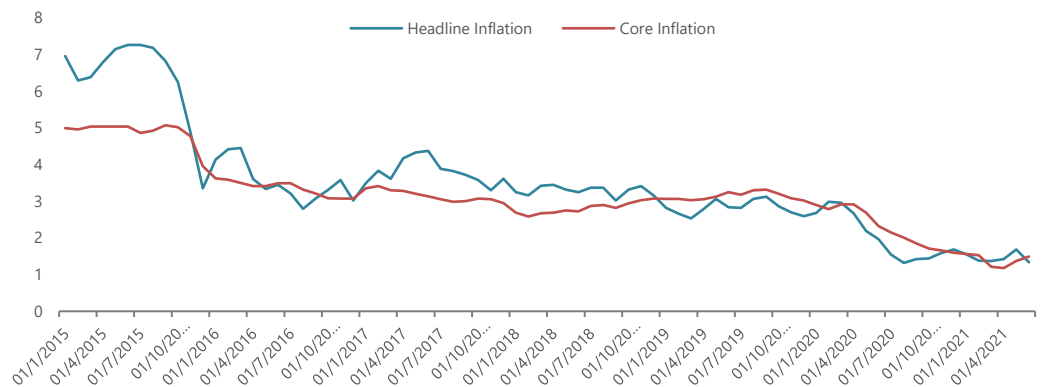
Exhibit 05. Indonesia May-21 Retail Sales Growth (%YoY)



Sources : Bank Indonesia

Inflation figures remained benign below central bank's target of 2-4%

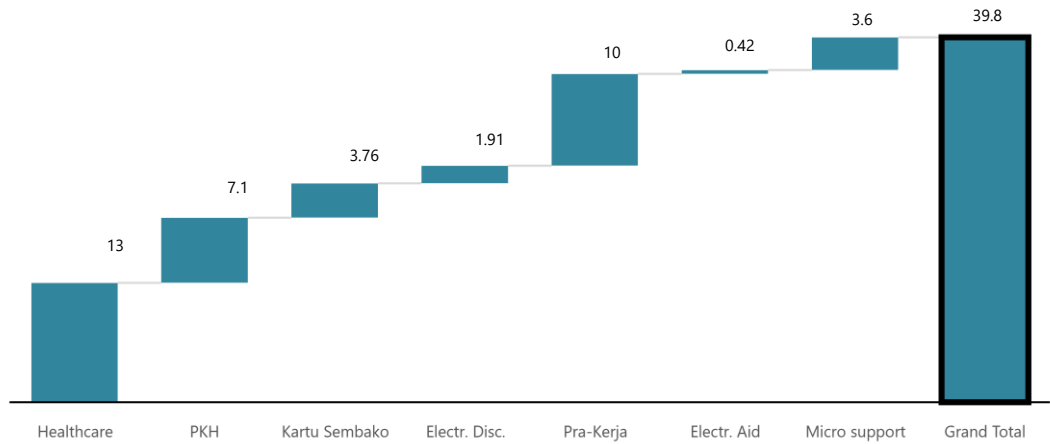
Exhibit 06. Indonesia Inflation Figures (%YoY)



Sources : Indonesia Bureau of Statistics

Exhibit 07. Government Additional Stimulus (IDR Tn)

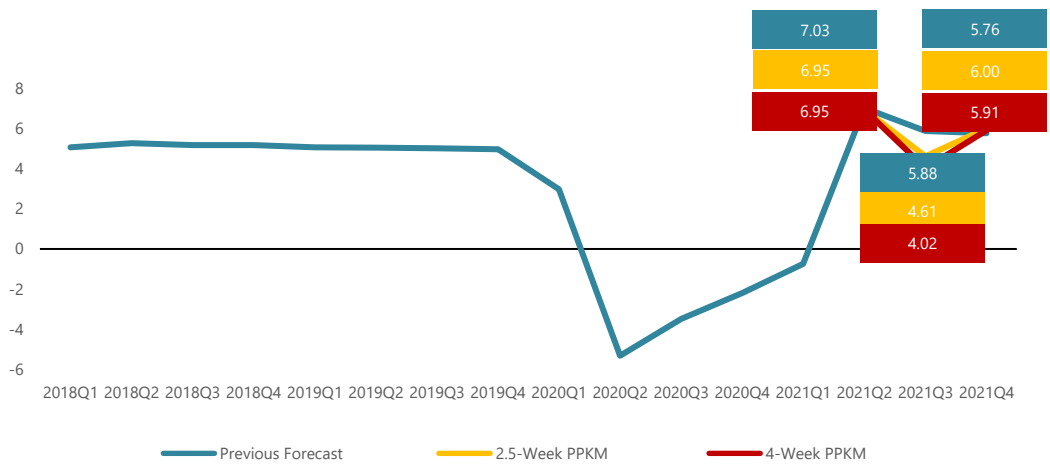
Additional stimulus from government to soften the blow to the economy due to PPKM Darurat



Sources : Indonesia Ministry of Finance

Exhibit 08. FY21 GDP Projection (%YoY)

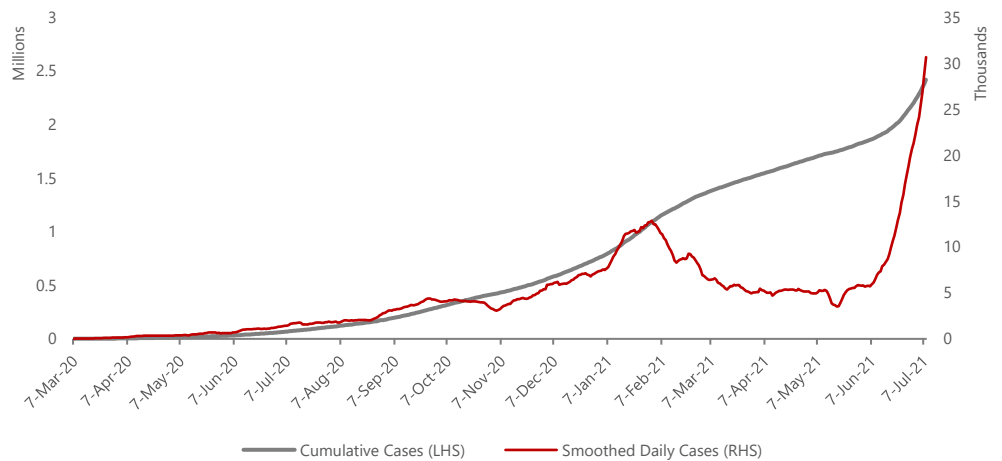
FY21 Indonesia GDP growth will likely to grow only 4% due to PPKM Darurat imposed by government



Sources : Indonesia Bureau of Statistics, MNCs Estimate

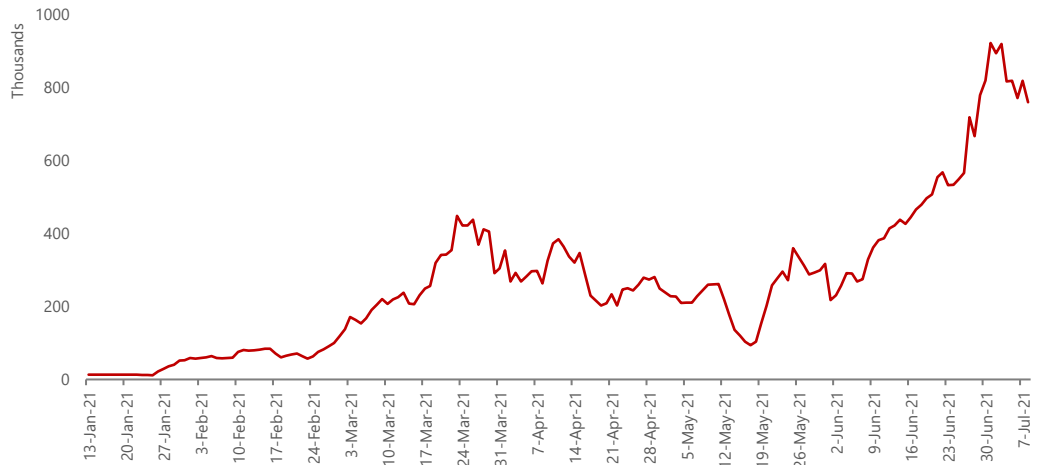
Exhibit 09. Indonesia Covid-19 Cases Update

Daily & cumulative cases of Covid-19 infection jumped to a record high since the first strike in March-20



Sources : Our World in Data

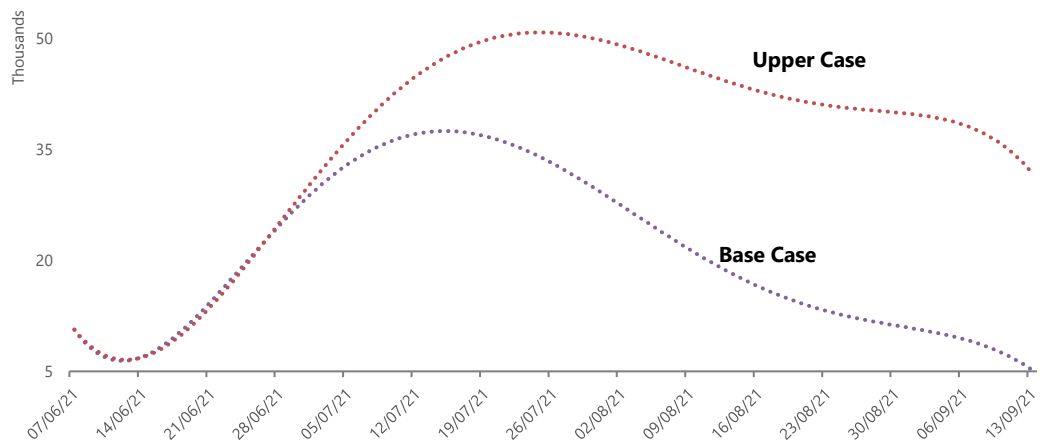
Exhibit 10. Indonesia Daily Vaccination Rate



The Covid-19 vaccination are ramped up but still far from government target to inoculate 60-70% from total population

Sources : Our World in Data

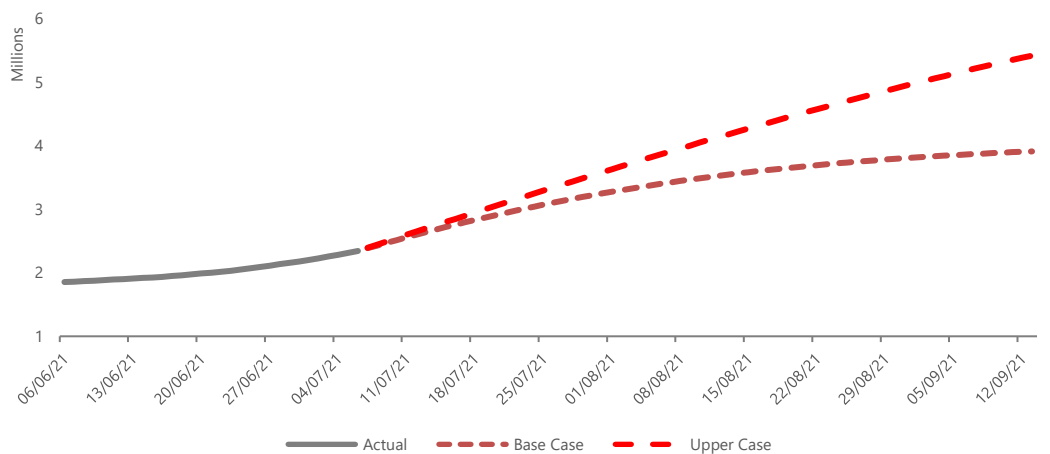
Exhibit 11. Covid-19 Modelling : When will Daily Cases Reach the Peak? Smoothed Daily Cases



In our base case scenario peak of daily cases would likely to reach 42k, while in the upper scenario will exceed 50k in third week of July-21

Sources : Our World in Data, MNCS Analysis

Exhibit 12. Covid-19 Modelling : When will the Pandemic End?



Base case scenario : the end of 2nd wave will be in mid September-21 with 3.9 mn cases, while Upper case would surpass 5 mn cases in the same period

Sources : Our World in Data, MNCS Analysis

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

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