

21 May 2024

Macroeconomics Indicator

	2022	2023	2024F
GDP growth (%YoY)	5.31	5.05	5.06
Inflation (%YoY)	5.51	2.61	3.59
BI rate (% Year-end)	5.50	6.00	6.50
Rp/US\$ (Average)	14,855	15,244	15,742
CA deficit (% of GDP)	+1.1	-0.1	-0.3
Fiscal deficit (% of GDP)	2.38	1.65	2.30

Miss in CAD while BOP reversed to deficit, amid increasing FDI

- The CAD recorded a wider deficit of -US\$2.2bn or -0.6% of GDP in 1Q24 (-US\$1.1bn or -0.3% of GDP in 4Q23) from higher dividend repatriation.
- FA reversed to an outflow of -US\$2.3bn in 1Q24 (+US\$11bn in 4Q23), from reversal in portfolio and other investment at -US\$1.8/4.4bn.
- Overall BOP posted an outflow of -US\$6bn in 1Q24 (+US\$8.6bn in 4Q23). We believe Rupiah will depreciate to c.Rp15.7k/US\$ in FY24.

Higher dividend repatriation from multinationals likely to peak-out in 2Q

Current account (CA) recorded a wider deficit at -US\$2.2bn or -0.6% of GDP in 1Q24 (-US\$1.1bn or -0.3% of GDP in 4Q23), higher than consensus/our expectation at roughly -US\$1.8/2bn. The wider CA deficit was sourced from higher primary income deficit (dividend repatriation) at -US\$8.9bn (-US\$8.8bn in 4Q23). Seasonally speaking, the peak of dividend repatriation will happen in 2Q and 4Q during the year. Hence, the onshore demand for US\$ will be increasing, pointing to rising pressure to the Rp.

Outflows in the financial account

Financial accounts (FA) dropped to record an outflow of -US\$2.3bn in 1Q24 (+US\$11bn in 4Q23), mainly from reversal in portfolio and other investment at -US\$1.8/4.4bn (+US\$4.9/2.8bn in 4Q23) amid outflow in government bonds at -US\$2.3bn (+US\$2.4bn in 4Q23). However, the central bank bond (SRBI, SVBI, SUVBI) offset the outflow with +US\$1.3bn net buy (+US\$3.7bn in 4Q23). In the meantime, the other investment booked an outflow of -US\$4.4bn (+US\$2.8bn in 4Q23) coming from higher offshore money & deposit from the private sector at -US\$3.1bn (-US\$0.6bn in 4Q23).

FDI likely to increase further due to better political outcome

The FDI surprisingly recorded a higher inflow despite the election year seasonality at +US\$4.3bn (+US\$3.3bn in 4Q23). Most of the FDI was from Hongkong, England, South Korea and Singapore aiming at battery industries, tobacco and transportation & warehousing totaling US\$5.1bn. In addition, investors from Japan also booked a quite high FDI at US\$0.7bn aimed at financial services sector. In sum, we believe the FDI will likely to be better than expected post-election. We see the FDI inflows to be higher at c.+US\$16.8bn in FY24 (vs +US\$14.6bn in FY23).

Balance of payment reversed into an outflow

In overall, the balance of payment (BOP) reversed to a deficit of -US\$6bn in 1Q24 (+US\$8.6bn in 4Q23), pointing to the adverse impact from rising global uncertainty and prolonged higher for longer FFR. We are on the view that the CA will have a wider deficit of c.-0.3% of GDP in FY24 (-0.1% of GDP in FY23) from higher-than-expected oil imports (brent price at c.US\$85-90/barrel in FY24 vs. US\$82/barrel in FY23 - YTD US\$83/barrel). Accordingly, we expect Rupiah to depreciate at Rp15.7k/US\$ avg in FY24 (vs. Rp15.2k/US\$ avg in FY23).

Uncertainty in the global economy may spark further capital outflow

We view that geopolitical tension still points to high uncertainty that may spark further capital outflow. However, we believe the combination of relatively high FX reserve (at US\$136bn or around 10% above IMF adequacy level) and ample fiscal room (3% of GDP cash position) may smoothen the economic turbulence and prevent severe economic recession.

Luthfi Ridho

PT Indo Premier Sekuritas

luthfi.ridho@ipc.co.id

+62 21 5088 7168 ext:721

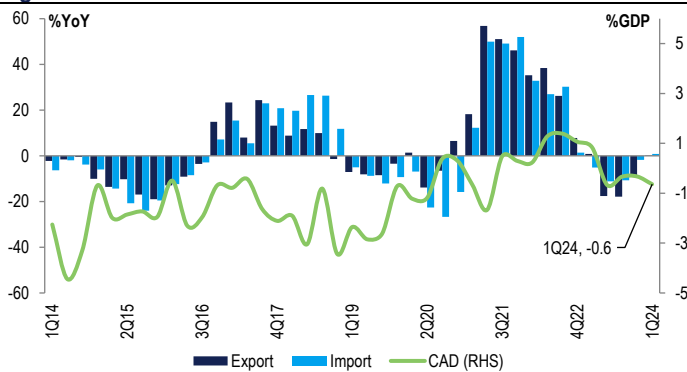
Samantha Junita

PT Indo Premier Sekuritas

samantha.junita@ipc.co.id

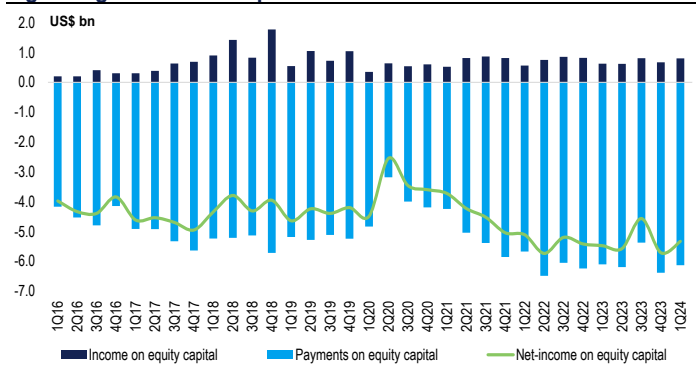
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Fig. 1: CA recorded a wider deficit of -0.6% of GDP in 1Q24



Source: BI, Indo Premier

Fig. 2: Higher dividend repatriation from onshore multinationals



Source: BI, Indo Premier

Fig. 3: Balance of Payment summary: overall outflow, but higher FDI

Components	2020	2021	2022	2023	2023				2024
					1Q	2Q	3Q	4Q	1Q
I. Current Account	-4.4	3.5	13.2	-1.9	2.8	-2.4	-1.2	-1.1	-2.2
(% of GDP)	-0.4	0.3	1.0	-0.1	0.8	-0.7	-0.3	-0.3	-0.6
A. Goods, net	28.3	43.8	62.7	46.5	14.7	10.1	10.2	11.4	9.8
-Exports (fob)	163.4	232.8	292.5	259.5	67.3	62.0	63.9	66.3	62.1
-Imports (fob)	-135.1	-189.0	-229.9	-213.1	-52.6	-51.8	-53.8	-54.8	-52.3
B. Services, net	-9.8	-14.6	-20.0	-18.1	-4.5	-4.6	-4.0	-5.0	-4.4
C. Primary Income, net	-28.9	-32.0	-35.3	-35.6	-8.9	-9.3	-8.6	-8.8	-8.9
D. Secondary Income, net	5.9	6.3	5.8	5.4	1.4	1.4	1.3	1.2	1.4
II. Capital and Financial Account	7.9	12.6	-8.7	10.0	4.1	-5.1	0.0	11.1	-2.3
A. Capital account	0.0	0.1	0.5	0.0	0.0	0.0	0.0	0.0	0.0
B. Financial account	7.9	12.5	-9.2	10.0	4.1	-5.1	0.0	11.0	-2.3
1. Direct investment, net	14.1	17.3	18.1	14.8	4.4	3.9	3.2	3.3	4.3
2. Portfolio investment, net	3.4	5.1	-11.6	2.3	3.0	-2.6	-3.0	4.9	-1.8
3. Other investment, net	-9.6	-10.2	-15.6	-7.2	-3.5	-6.3	-0.1	2.8	-4.4
III. Total (I + II)	3.5	16.1	4.5	8.2	6.9	-7.5	-1.2	9.9	-4.5
IV. Net Errors and Omissions	-0.9	-2.6	-0.5	-1.9	-0.3	0.1	-0.3	-1.3	-1.5
V. Overall Balance (III+IV)	2.6	13.5	4.0	6.3	6.5	-7.4	-1.5	8.6	-6.0
Reserves Position (EoP)	136	145	137	145	145	138	135	146	140

Source: BI, Indo Premier

Fig. 4: The biggest FDI inflow remained to manufacturing

Sector	2022					2023					2024	
	Q1	Q2	Q3	Q4	Total	Q1	Q2	Q3	Q4	Total	Q1	
Agriculture & Livestocks	-8	-138	-218	61	-213	-27	-64	26	184	119	-80	
Mining & Quarrying	178	228	-391	270	285	248	467	-954	519	280	49	
Manufacturing Industries	3,194	2,648	3,633	2,926	12,401	3,480	3,171	4,934	2,180	13,765	2,027	
Construction	9	-8	49	352	402	278	196	152	177	803	265	
Financial Services	347	203	697	723	1,970	283	200	-123	566	926	955	
Trade	510	565	102	527	1,704	215	731	294	115	1,355	1,586	
Others	1,836	4,609	2,025	437	8,906	1,640	946	716	1,097	8,906	1,225	
Total	6,056	8,107	5,897	5,396	25,455	6,117	5,647	5,045	4,838	26,164	6,027	

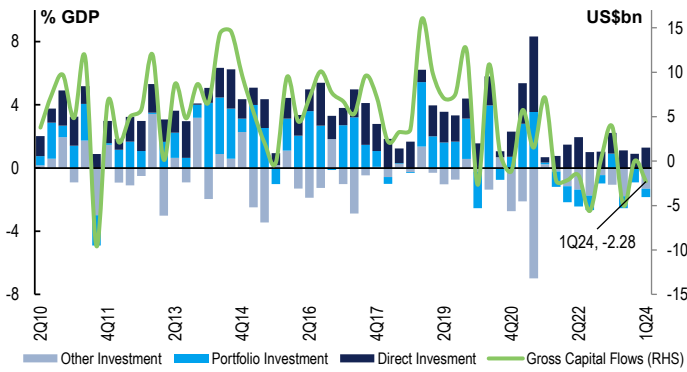
Source: BI, Indo Premier

Fig. 5: In terms of country, Asean is the biggest investor

Country	2022				2023					2024	
	Q1	Q2	Q3	Q4	Total	Q1	Q2	Q3	Q4	Total	Q1
Japan	684	244	195	673	1,796	405	1,024	198	151	1,778	658
US	408	867	-56	797	2,016	383	218	167	101	869	95
Europe	405	487	299	574	1,765	791	601	413	430	2,235	599
Asia EM (incl. China)	2,347	1,628	3,126	2,068	9,169	2,153	1,103	2,994	1,227	7,477	1,788
ASEAN	1,889	5,194	2,305	1,327	10,715	1,590	2,045	512	2,282	6,429	2,651

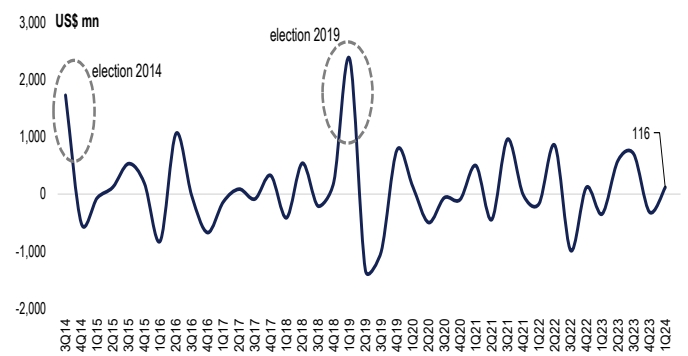
Source: BI, Indo Premier

Fig. 6: Portfolio inflows reversed into an outflow



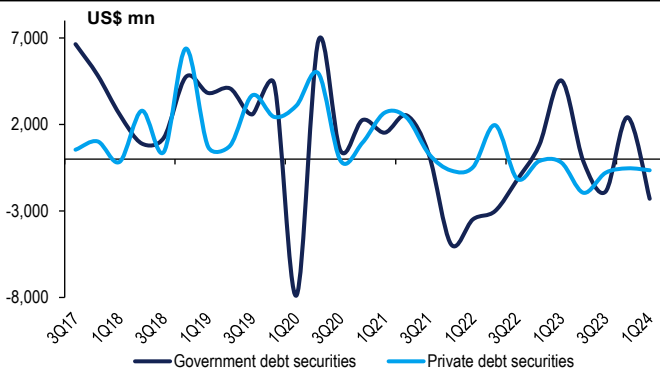
Source: BI, Indo Premier

Fig. 7: currency and deposit recorded an inflow



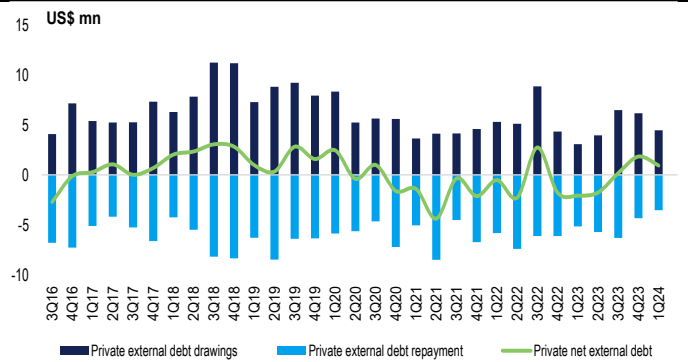
Source: BI, CEIC, Indo Premier

Fig. 8: Foreign investors' appetite on govt securities dropped



Source: BI, Indo Premier

Fig. 9: Private net external debt declining



Source: BI, Indo Premier

ANALYSTS CERTIFICATION

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