

05 August 2020

Macroeconomics Indicator

	2019	2020F
GDP growth (%YoY)	5.04	0.45
Inflation (%YoY)	2.72	1.80
BI rate (% Year-end)	5.00	3.50
RP/US\$ (Year-end)	14,155	14,500
CA balance (% of GDP)	2.82	1.52
Fiscal balance (% of GDP)	2.21	6.34

2Q20 GDP: an expected contraction; a long and gradual path of recovery

- 2Q20 GDP contracted by 5.32% yoy. This was due to drop in domestic demand during the large-scale social restriction measure.
- Transportation and hotel dropped by 31% and 22% yoy. Infocomm and agriculture seems more resilient (+10.9% & +2.2% yoy).
- We see economic activity to improve in 2H20 from PSBB relaxation and pick-up in government spending. We expect 0.2% growth in FY20F.

The impact of large-scale social restriction (PSBB)

GDP growth contracted by 5.32% yoy in 2Q20 from +2.97% yoy in 1Q20. Slower growth in 2Q20 was due to contraction in consumption and investment by 5.73% and 8.61% yoy from +2.75% and +1.7% yoy in 1Q20. The contraction was largely due to large scale social restriction policy (PSBB) which significantly slowed down the overall economic activity. This was broadly in-line with our / consensus (see our report [here](#)) expectation of -4.6% / -4.72% yoy. Separately, net-export recorded a positive growth due to higher contraction in imports at -17.0% yoy vis-a-vis exports at -11.7% yoy.

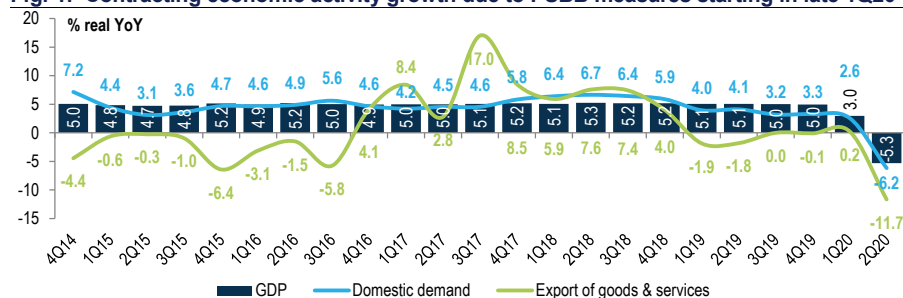
Transport and accommodation slumped, infocomm and agri were resilient

In terms of sector, transportation and hotel led the contraction by 30.8% and 22.0% yoy from +1.3% and +2.0% yoy respectively in 1Q20. This was broadly aligned with the decline in tourist arrival and hotel occupancy rate by -60% yoy and -32.6% yoy in 2Q20. On the contrary, infocomm and agriculture recorded a higher growth by 10.9% and 2.2% yoy from +9.8% and +0.1% yoy in 1Q20. The increase in infocomm was due to the increase in internet data usage during the PSBB. Survey from the BPS suggested that around 40% of total household in Indonesia spent more (by 25- 50%) on the internet usage.

Expect a gradual recovery in 2H20 onwards

We believe the economy will still record a +0.2% growth for full year 2020. However, the improvement in economic activity will be relying heavily on the government spending realization (roughly 46% of target as of Jul20). We estimated that the government's economic recovery program (around Rp400tr or 2.5% of GDP) will boost the overall economic growth by around 2-3% with the assumption of 6.34% fiscal deficit to GDP, *ceteris paribus*. At the same time, the gradual recovery from private sector needs to be supported with the right policy mix (i.e. credit insurance for the banks, lower interest rate for working capital). Combination of fiscal (lower tax rate, social aid spending) and monetary (lower interest rate, providing liquidity to the banking system) are imperatives to ensure successful economic recovery program.

Fig. 1: Contracting economic activity growth due to PSBB measures starting in late 1Q20



Source: BPS, CEIC, Indo Premier

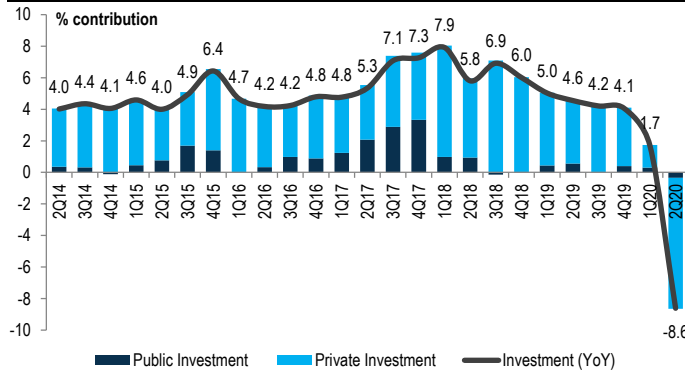
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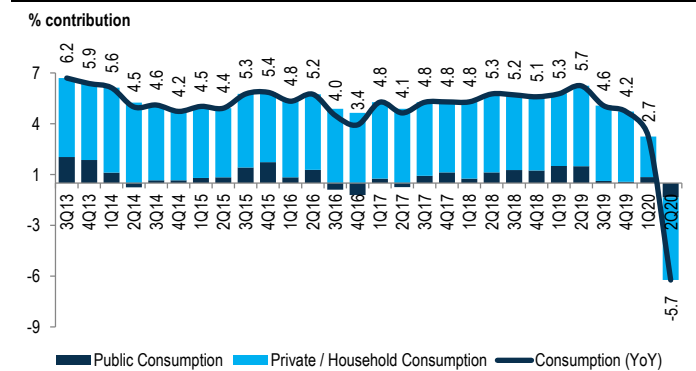
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Fig. 2: Investment will likely improve in 2H



Source: BPS, CEIC, Indo Premier

Fig. 3: Consumption will rebound in 2H along with gov't social aid



Source: BPS, CEIC, Indo Premier

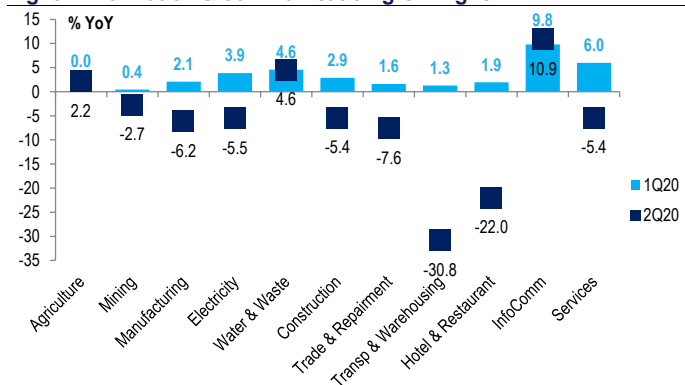
Fig. 4: Growth may still be at +0.2% in 2020

	1Q19	2Q19	3Q19	4Q19	1Q20	2Q20
GDP	5.07	5.05	5.02	4.97	2.97	-5.32
Domestic Demand	3.90	4.07	3.29	3.27	2.6	-6.17
Consumption	5.27	5.74	4.56	4.21	2.75	-5.73
Private Sector	5.02	5.18	5.01	4.97	2.83	-5.51
Non-Profit Institution	16.96	15.29	7.41	3.53	-5.09	-7.76
Public Sector	5.22	8.23	0.98	0.48	3.75	-6.90
Gross Fixed Capital Formation	5.03	4.55	4.21	4.06	1.70	-8.61
Private Sector	5.14	4.55	4.77	4.17	1.59	-9.33
Public Sector *)	3.97	4.55	-0.08	3.14	2.74	-2.80
Inventory (inc. Discrepancy)	-27.03	-19.19	-27.97	71.45	9.17	6.46
Net export	97.46	111.16	148.41	2329.32	19.3	40.05
Export of Goods & Services	-1.58	-1.73	0.10	-0.39	0.23	-11.66
Import of Goods & Services	-7.47	-6.84	-8.30	-8.05	-2.19	-16.96

Source: BPS, CEIC, Indo Premier

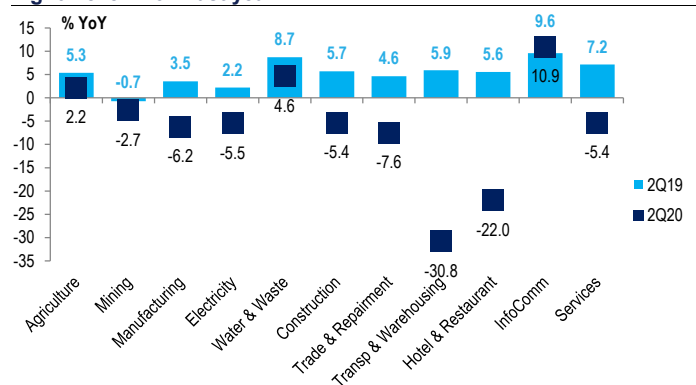
*) In-house estimation

Fig. 5: Information & communication grew higher



Source: BPS, CEIC, Indo Premier

Fig. 6: even from last year



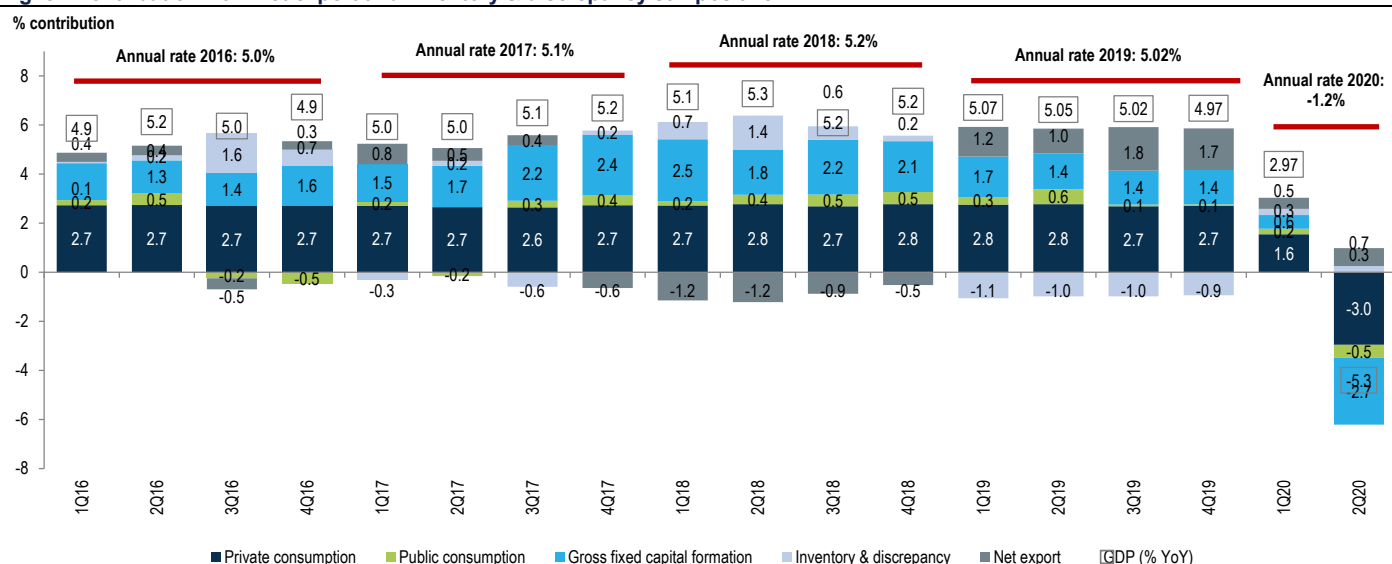
Source: BPS, CEIC, Indo Premier

Fig. 7: Transportation & warehousing and hotel & restaurant slumps

	2018				2019				2020	
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q
GDP	5.06	5.27	5.17	5.18	5.07	5.05	5.02	4.96	2.97	-5.32
Agriculture, Livestocks, Forestry & Fisheries	3.34	4.72	3.66	3.87	1.86	5.34	3.13	4.31	0.02	2.19
Mining & Quarrying	1.06	2.65	2.67	2.25	2.32	-0.71	2.34	0.94	0.45	-2.72
Manufacturing Industries	4.60	3.88	4.35	4.25	3.86	3.54	4.15	3.66	2.06	-6.19
Electricity & Gas	3.31	7.56	5.58	5.46	4.12	2.20	3.75	6.01	3.85	-5.46
Water Supply & Waste Recycling	3.65	3.94	6.20	7.92	9.00	8.72	4.84	5.39	4.56	4.56
Construction	7.35	5.73	5.79	5.58	5.91	5.69	5.65	5.79	2.90	-5.39
Trade & Repairment	4.99	5.22	5.28	4.39	5.20	4.61	4.41	4.27	1.60	-7.57
Transportation & Warehousing	8.56	8.70	5.65	5.34	5.38	5.90	6.75	7.70	1.29	-30.84
Hotel & Restaurant	5.17	5.60	5.91	5.95	5.90	5.57	5.44	6.45	1.95	-22.02
Information & Communication	7.76	5.11	8.14	7.17	9.06	9.60	9.24	9.62	9.80	10.88
Services	5.87	7.02	6.55	7.34	7.62	7.17	6.68	5.99	5.99	-5.38

Source: BPS, CEIC, Indo Premier

Fig. 8: Contribution from net-export and inventory & discrepancy still positive



Source: BPS, Source: BPS, CEIC, Indo Premier, Indo Premier

ANALYSTS CERTIFICATION

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