

June 2020



Time to grow our Bonds Market

Fakhrul Fulvian

Chief Economist

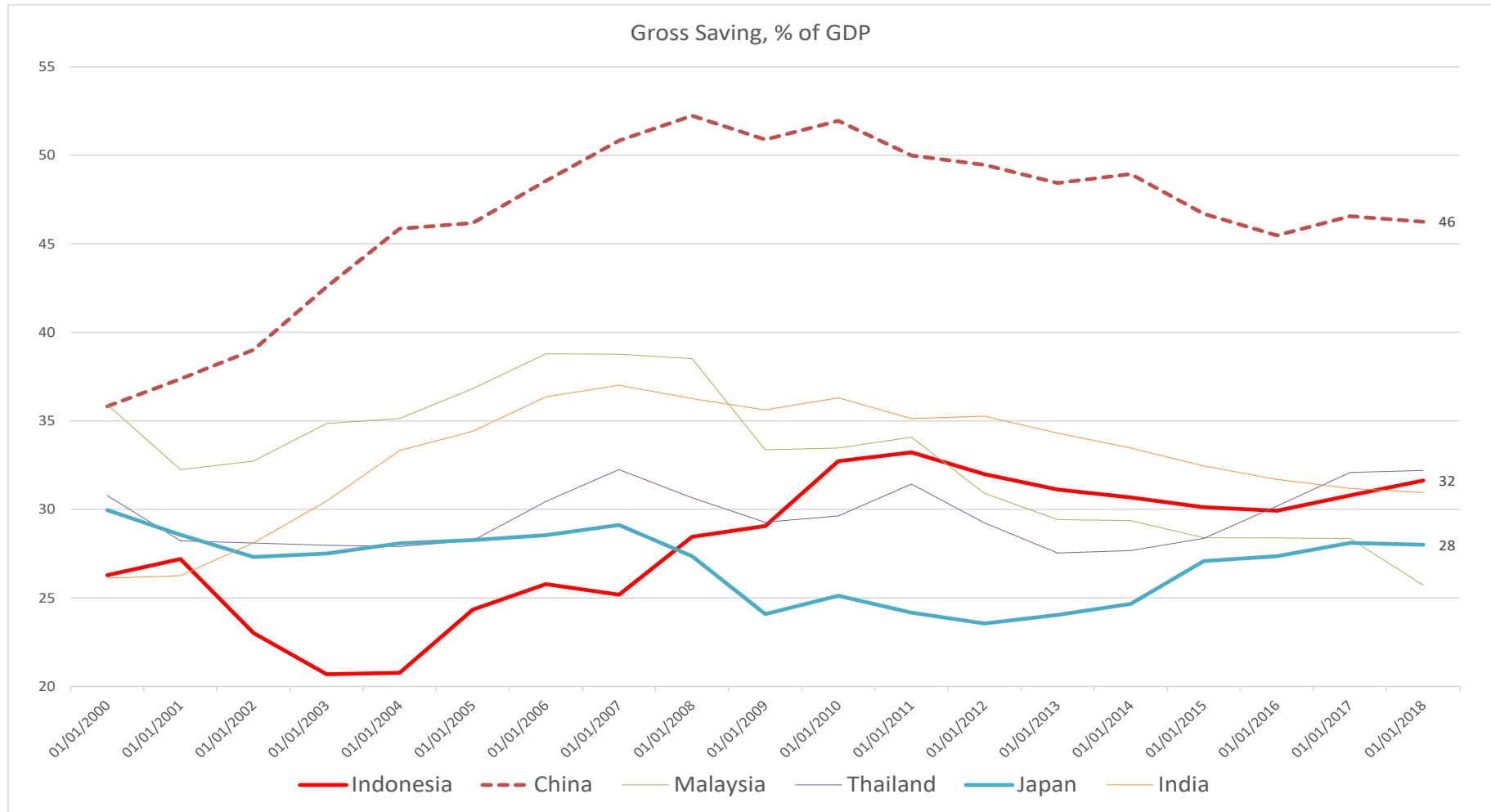
fakhrul.fulvian@trimegah.com

Kenny Vincent

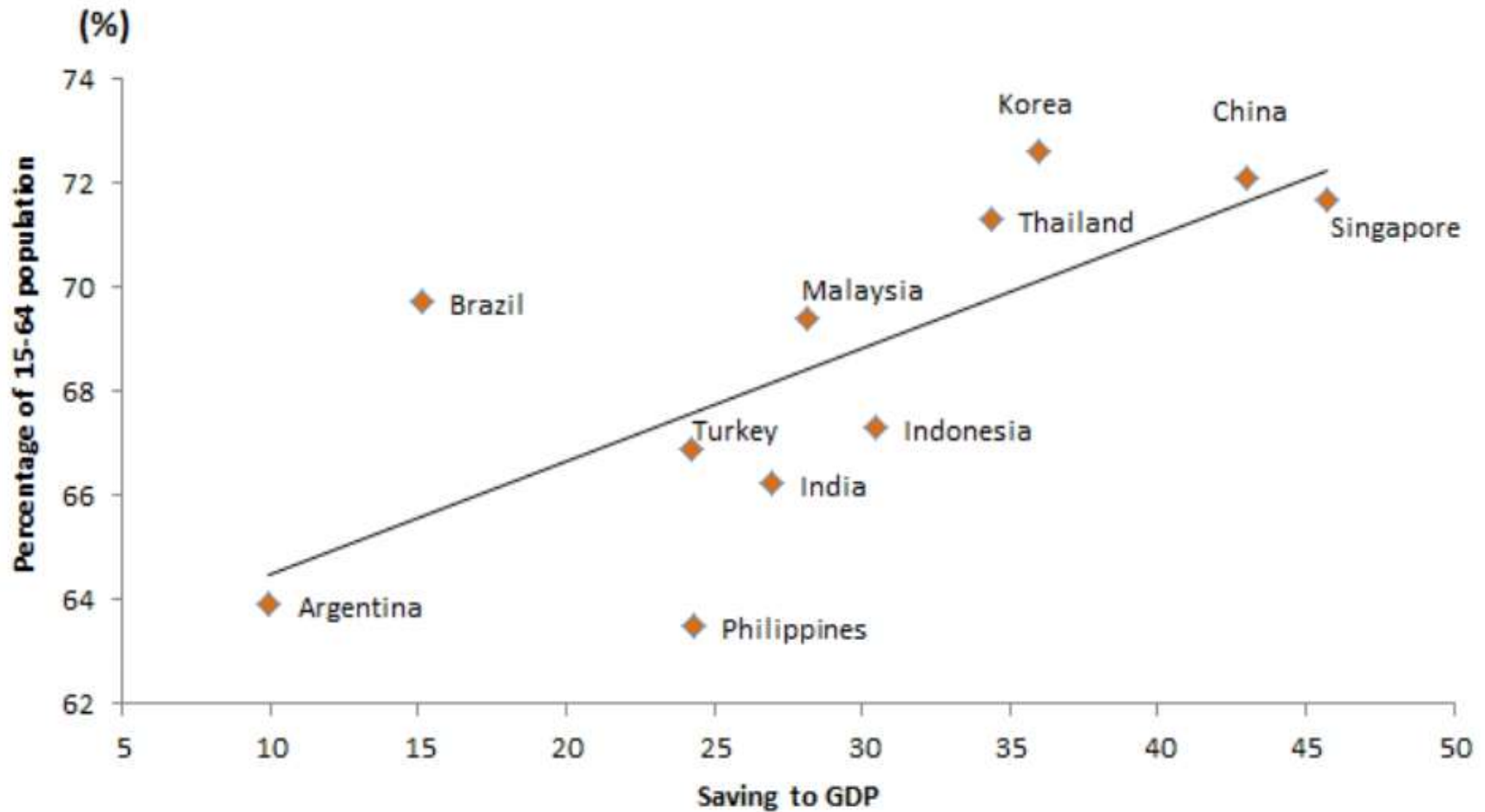
Research Associate

kenny.vincent@trimegah.com

Gross Domestic Saving Comparison in some countries



Demographic Bonus as Driver of National Saving Abundant



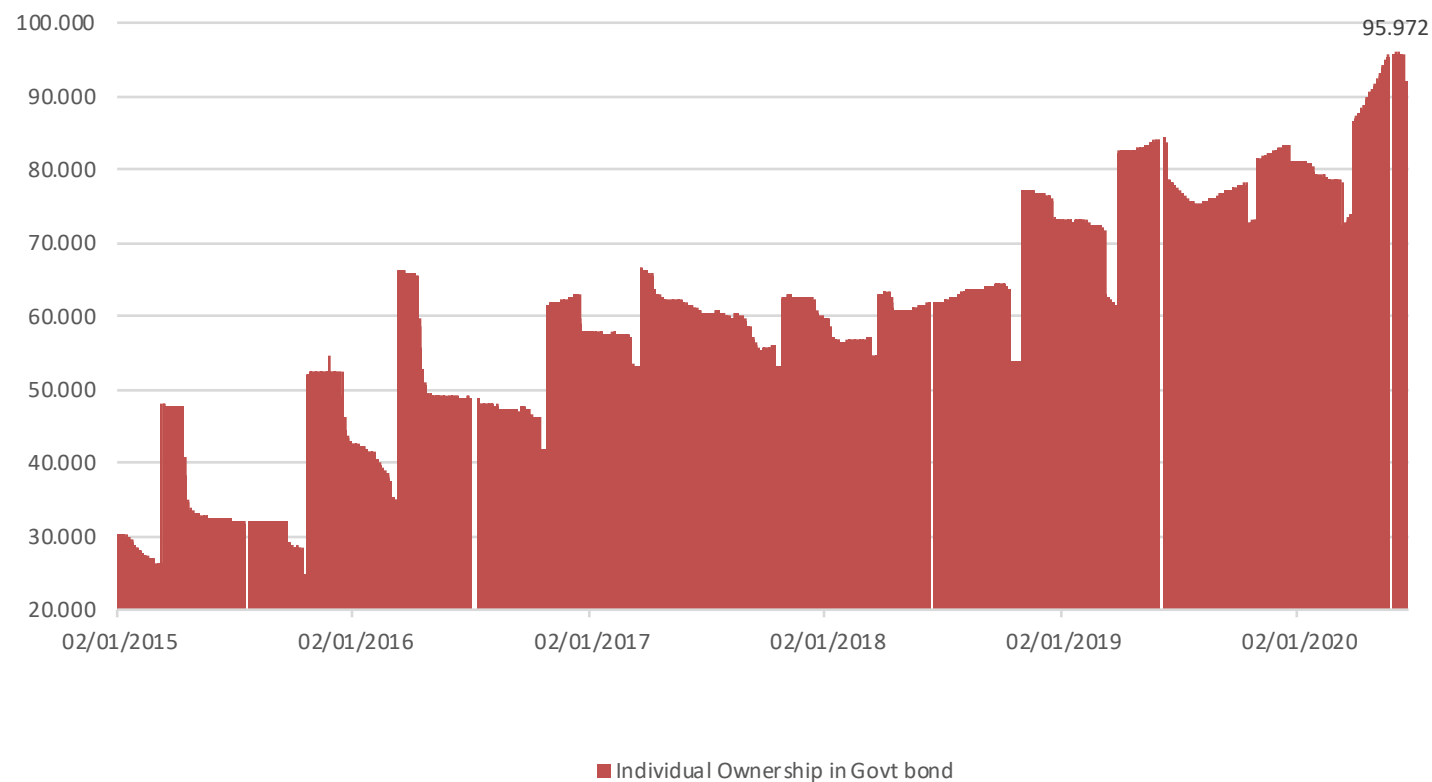
Recent Case Related with Shady Investment Activities



Source: OJK

Percentage of Individual and NBFIs in Govt bond ownership

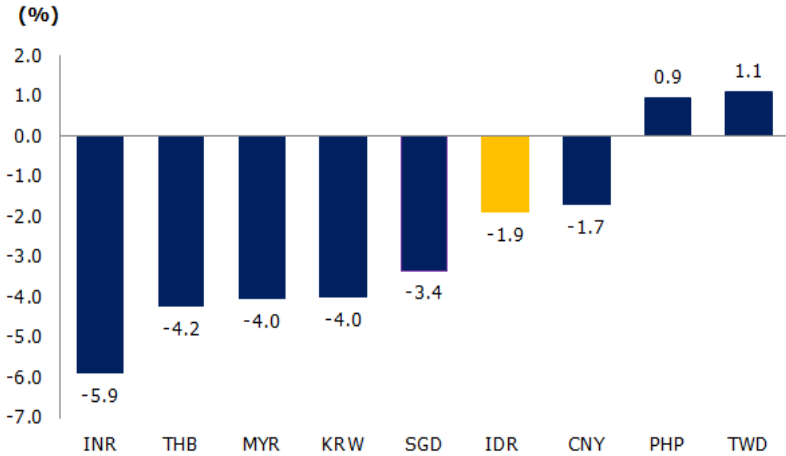
(IDRbn)



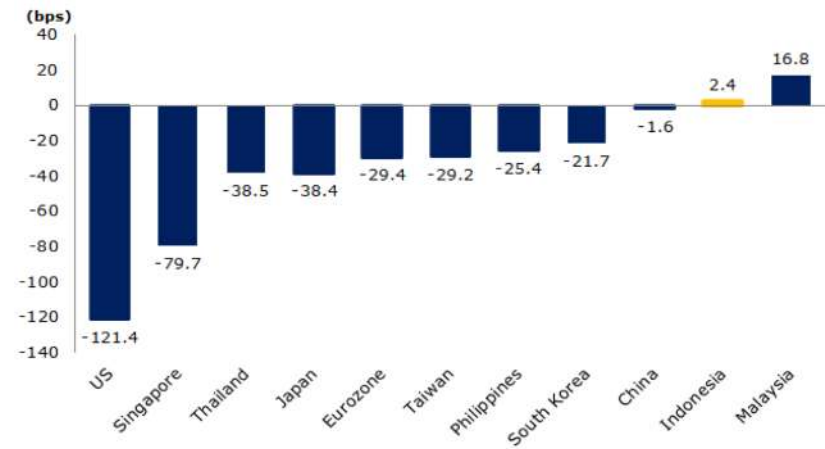
Source: DJPPR

Latest Movement in Financial Market

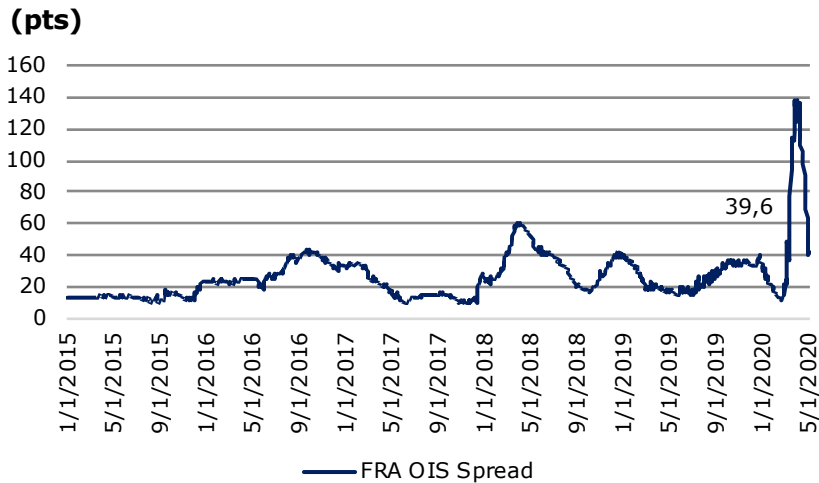
Ytd movement of Asian FX



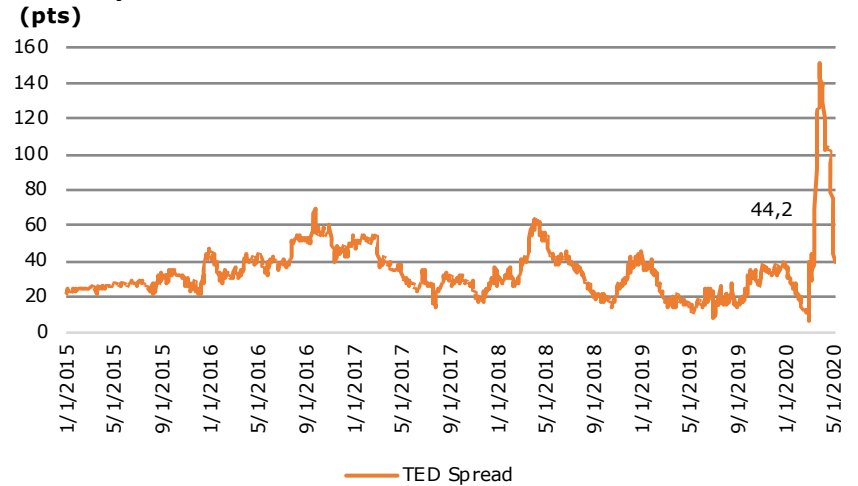
Ytd movement of 10yr govt bond yield



FRA OIS Spread



TED Spread



Return Decomposition of Indonesia's Bond Market

Currency Risk Perception



Country Risk Perception



Return Driver Decomposition

| | Risk-free | Credit Risk | Currency Risk |
|------|-----------|-------------|---------------|
| 2013 | 3.03 | 2.44 | 2.99 |
| 2014 | 2.17 | 1.91 | 3.72 |
| 2015 | 2.27 | 2.48 | 4.24 |
| 2016 | 2.44 | 1.87 | 3.65 |
| 2017 | 2.41 | 1.12 | 2.79 |
| 2018 | 2.68 | 1.86 | 3.48 |
| 2019 | 1.92 | 0.98 | 4.17 |
| 2020 | 0.72 | 2.01 | 4.50 |

| | Δ Risk-free | Δ Credit Risk | Δ Currency Risk |
|------|-------------|---------------|-----------------|
| 2013 | 1.27 | 1.25 | 0.74 |
| 2014 | -0.86 | -0.53 | 0.73 |
| 2015 | 0.10 | 0.58 | 0.52 |
| 2016 | 0.17 | -0.61 | -0.59 |
| 2017 | -0.04 | -0.75 | -0.86 |
| 2018 | 0.28 | 0.73 | 0.69 |
| 2019 | -0.77 | -0.88 | 0.68 |
| 2020 | -0.20 | 0.03 | 0.43 |

Source: Bloomberg, Trimegah Research

Ownership Composition of Indonesia Govt Bond

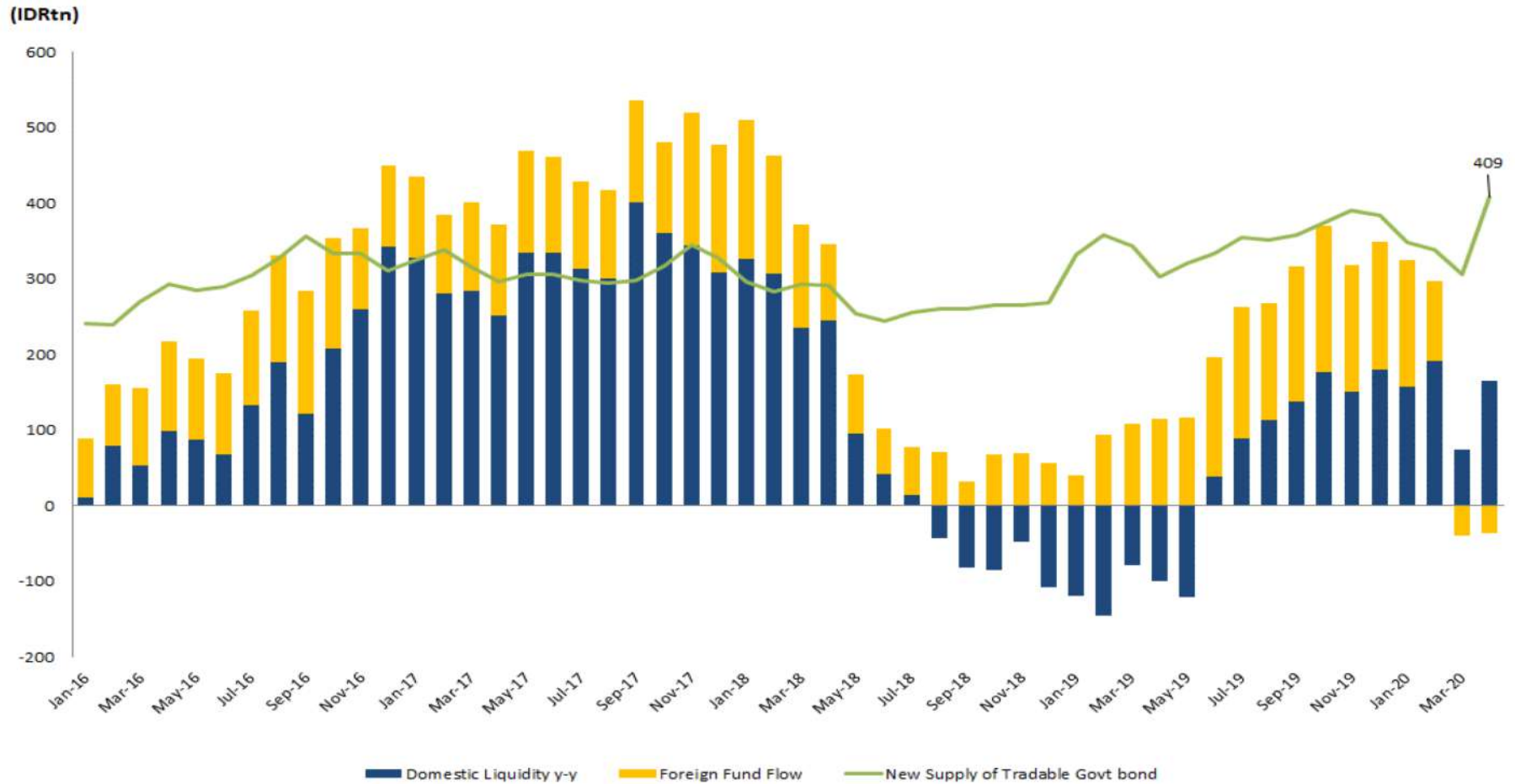
| In IDR tn | 31/12/2019 | 30/04/2020 | 29/05/2020 |
|--------------|------------|------------|------------|
| Bank | 581 | 816 | 949 |
| Central Bank | 262 | 262 | 248 |
| Non-Bank | 1,909 | 1,833 | 1853 |
| Mutual Fund | 131 | 133 | 134 |
| Insurance | 215 | 268 | 278 |
| Non-Resident | 1,062 | 925 | 932 |
| Pension Fund | 257 | 228 | 228 |
| Individual | 81 | 92 | 96 |
| Others | 163 | 188 | 186 |
| Total | 2,753 | 2,911 | 3051 |

| In % | 31/12/2019 | 30/04/2020 | 29/05/2020 |
|--------------|------------|------------|------------|
| Bank | 21.1 | 28.0 | 31.1 |
| Central Bank | 9.5 | 9.0 | 8.1 |
| Non-Bank | 69.3 | 63.0 | 60.7 |
| Mutual Fund | 4.8 | 4.6 | 4.4 |
| Insurance | 7.8 | 9.2 | 9.1 |
| Non-Resident | 38.6 | 31.8 | 30.5 |
| Pension Fund | 9.3 | 7.8 | 7.5 |
| Individual | 2.9 | 3.1 | 3.1 |
| Others | 5.9 | 6.4 | 6.1 |
| Total | 100.0 | 100.0 | 100.0 |

| 02/06/2020 | 10/06/2020 | w-w changes (IDRtn) | Ytd Changes |
|------------|------------|---------------------|-------------|
| 935 | 975 | 39.9 | 393.3 |
| 262 | 238 | -23.7 | -24.3 |
| 1,854 | 1,861 | 6.7 | -48.2 |
| 134 | 135 | 0.9 | 3.7 |
| 278 | 278 | 0.0 | 62.5 |
| 932 | 939 | 6.7 | -122.8 |
| 228 | 228 | -0.2 | -28.8 |
| 96 | 96 | -0.2 | 14.4 |
| 187 | 186 | -0.5 | 22.7 |
| 3,051 | 3,074 | 22.8 | 320.9 |

| 02/06/2020 | 10/06/2020 | w-w changes | Ytd Changes |
|------------|------------|-------------|-------------|
| 30.6 | 31.7 | 1.1 | 10.6 |
| 8.6 | 7.8 | -0.8 | -1.8 |
| 60.8 | 60.5 | -0.2 | -8.8 |
| 4.4 | 4.4 | 0.0 | -0.4 |
| 9.1 | 9.0 | -0.1 | 1.2 |
| 30.6 | 30.6 | 0.0 | -8.0 |
| 7.5 | 7.4 | -0.1 | -1.9 |
| 3.1 | 3.1 | 0.0 | 0.2 |
| 6.1 | 6.1 | -0.1 | 0.1 |
| 100.0 | 100.0 | 0.0 | 0.0 |

Demand vs. Supply side of govt bond demand



Source: CEIC, Trimegah Research

Breakdown on Domestic Liquidity Proxy

| Pool of Fund (IDRtn) | May-19 | Jun-19 | Jul-19 | Aug-19 | Sep-19 | Oct-19 | Nov-19 | Dec-19 | Jan-20 | Feb-20 | Mar-20 | Apr-20 |
|------------------------------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| Pension Fund | 183 | 185 | 184 | 185 | 184 | 185 | 186 | 188 | 187 | 185 | 174 | 177 |
| Insurance | 701 | 717 | 727 | 729 | 734 | 742 | 742 | 755 | 750 | 738 | 704 | 712 |
| Mutual Fund | 506 | 513 | 537 | 538 | 541 | 553 | 544 | 542 | 537 | 525 | 473 | 478 |
| Banking Deposit - Loan spread | 241 | 315 | 347 | 335 | 356 | 386 | 412 | 365 | 425 | 481 | 484 | 543 |
| Total domestic pool of fund | 1,631 | 1,729 | 1,795 | 1,786 | 1,815 | 1,867 | 1,884 | 1,850 | 1,899 | 1,930 | 1,835 | 1,909 |
| Foreign Ownership | 950 | 989 | 1,013 | 1,010 | 1,029 | 1,058 | 1,068 | 1,062 | 1,077 | 1,048 | 927 | 925 |

| | | | | | | | | | | | | |
|--------------------------------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| Total Supply of tradable bond | 2,506 | 2,531 | 2,580 | 2,626 | 2,664 | 2,715 | 2,770 | 2,753 | 2,787 | 2,826 | 2,833 | 2,911 |
|--------------------------------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|

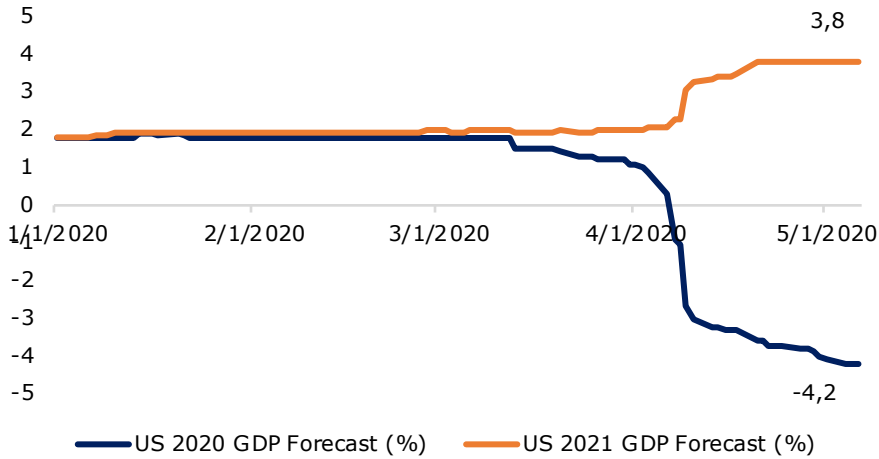
| y-y change | May-19 | Jun-19 | Jul-19 | Aug-19 | Sep-19 | Oct-19 | Nov-19 | Dec-19 | Jan-20 | Feb-20 | Mar-20 | Apr-20 |
|------------------------------------|-------------|-----------|-----------|------------|------------|------------|------------|------------|------------|------------|------------|------------|
| Pension Fund | 10 | 14 | 13 | 13 | 11 | 14 | 12 | 12 | 8 | 6 | -6 | -5 |
| Insurance | 57 | 78 | 79 | 76 | 75 | 90 | 81 | 89 | 71 | 59 | 9 | 13 |
| Mutual Fund | 2 | 26 | 39 | 44 | 46 | 59 | 45 | 37 | 17 | 4 | -43 | -34 |
| Banking Deposit - Loan spread | -189 | -81 | -43 | -19 | 7 | 13 | 12 | 42 | 61 | 122 | 114 | 192 |
| Total domestic pool of fund | -121 | 38 | 88 | 114 | 138 | 176 | 150 | 180 | 157 | 191 | 75 | 166 |
| Foreign Ownership | 76 | 80 | 71 | 54 | 59 | 46 | 9 | 17 | 0 | -33 | -57 | -50 |

| | | | | | | | | | | | | |
|--------------------------------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|
| Total Supply of tradable bond | 321 | 334 | 354 | 352 | 358 | 374 | 391 | 384 | 349 | 339 | 305 | 409 |
|--------------------------------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|

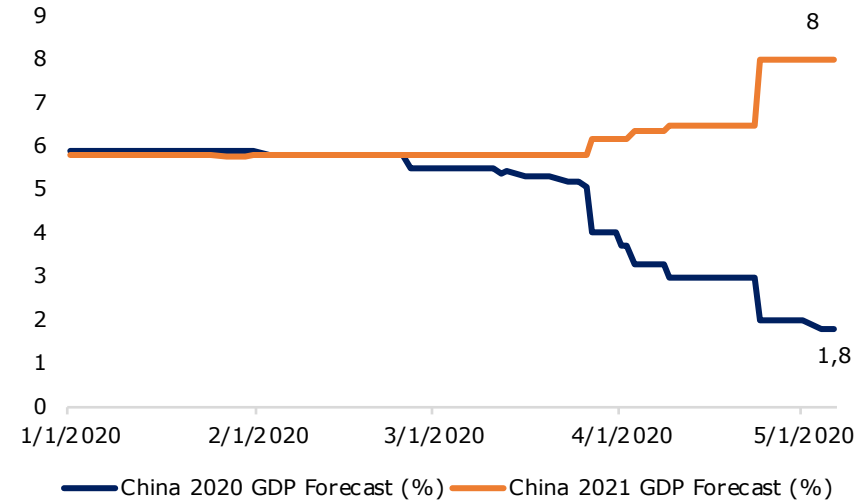
Source: CEIC, OJK

Consensus on Major Economic Indicator and Interest Rate

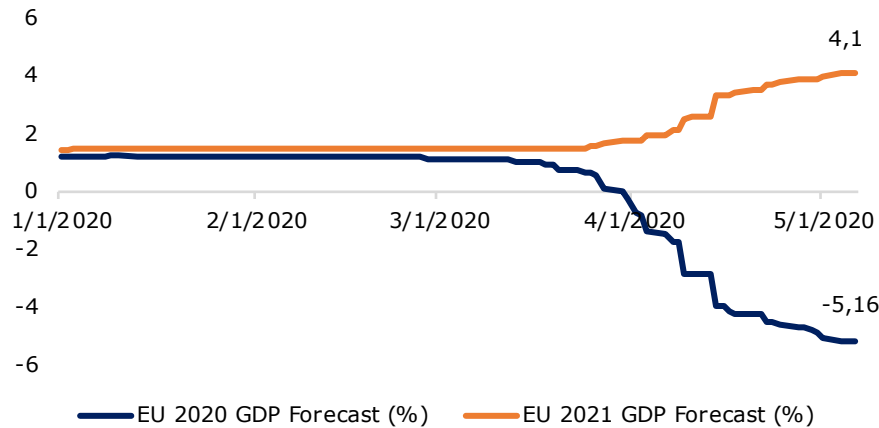
US GDP growth expectation



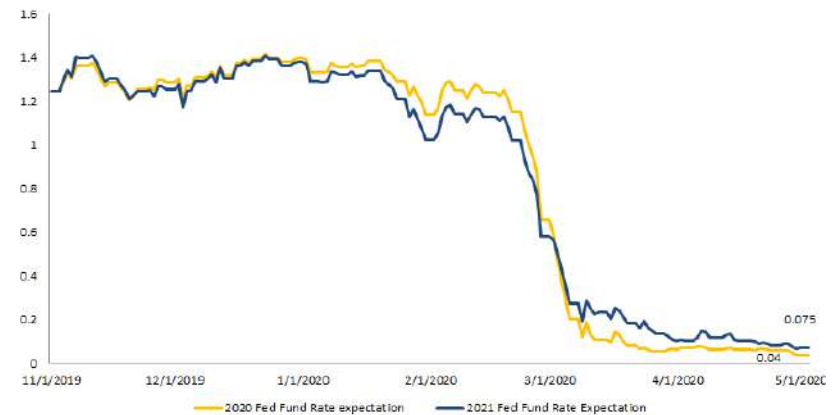
China GDP growth expectation



EU GDP growth expectation



FFR Overnight Index Swap



Source: Bloomberg, Trimegah Research

Recent economics and financial market situation

1. Some economies are already in negative GDP Growth and recession is already the main scenario,
2. Pressure in global market eased in April as US money market has loosen and bankruptcy risk dropped,
3. Indonesia GDP growth dropped to 2.97% y-y, inflation stay low at 2.68% (lowest pre-Ramadhan in decades), ICOR jump to 10 in 1Q20,
4. IDR appreciated back to 14000, driven by ease in global market

Major structural transformation ahead

1. Changing corporate behavior, higher demand for cash,
2. Consumer tend to save more as job and income certainty tend to be lower,
3. Banking sector behaviour change toward more prudent on lending,
4. Job creation to move outside big cities and services sector, creating reverse urbanization,
5. Possible permanently high fiscal deficit during economic transformation. With rat

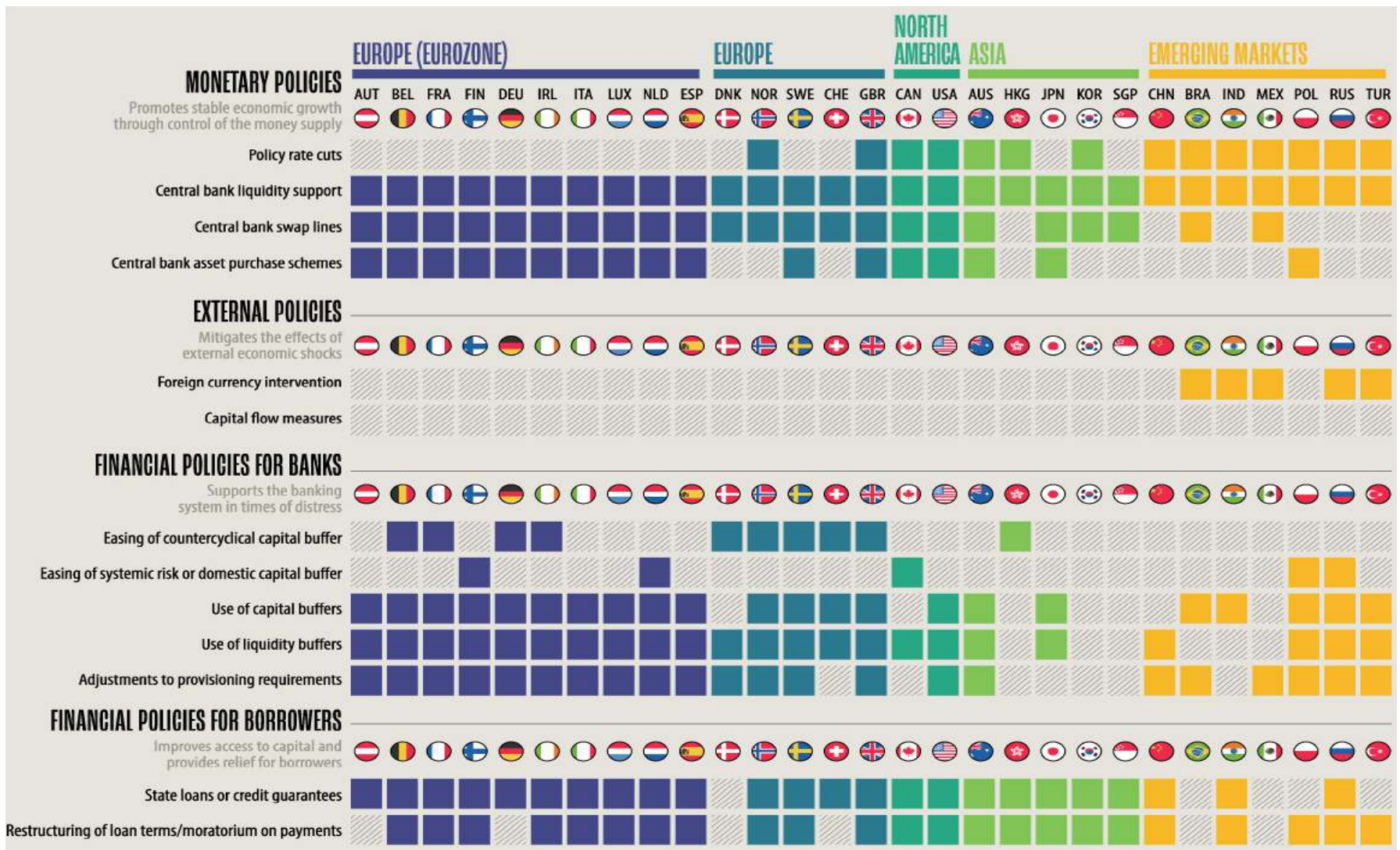
What market already priced-in

1. Massive Bankruptcy less likely to occur in Major Economy and Emerging Market as Fiscal and Monetary Policy has stepped in,
2. Further Monetary Policy Easing in Emerging Market and Indonesia going ahead,
3. Growth (domestic and global) is likely to recover by 3Q20 or 4Q20 as movement restriction eased,
4. Indonesia fiscal deficit to widen to 5.07% of GDP in 2020, and massive supply in govt bond

What is not yet priced-in

1. Weaker than expected recovery on 2nd wave of COVID19, and possible Minsky Moment,
2. Fiscal Deficit could be wider than 5.07% of GDP and could possibly become a new norm
3. CA deficit to be very low and could be surplus in some situation (positive for USDIDR).
4. GDP deflator to be in negative territory in full year 2020 and BI to cut 75bps interest rate further
5. Asset price rally (especially bonds) on govt liquidity support and lower FX risk is possible.

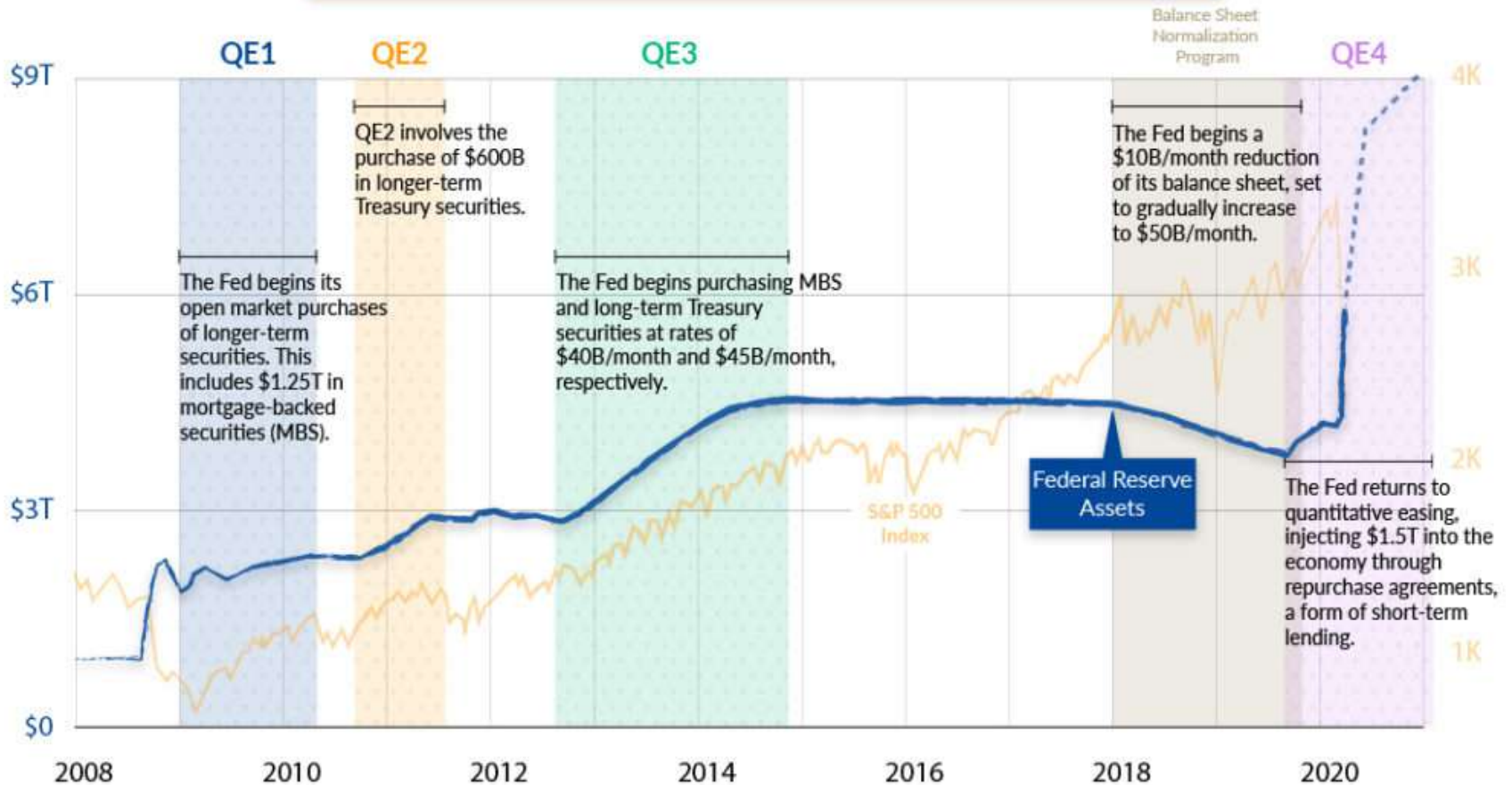
Global Stimulus Summary on Fight Against COVID19



Source: Visual Capitalist

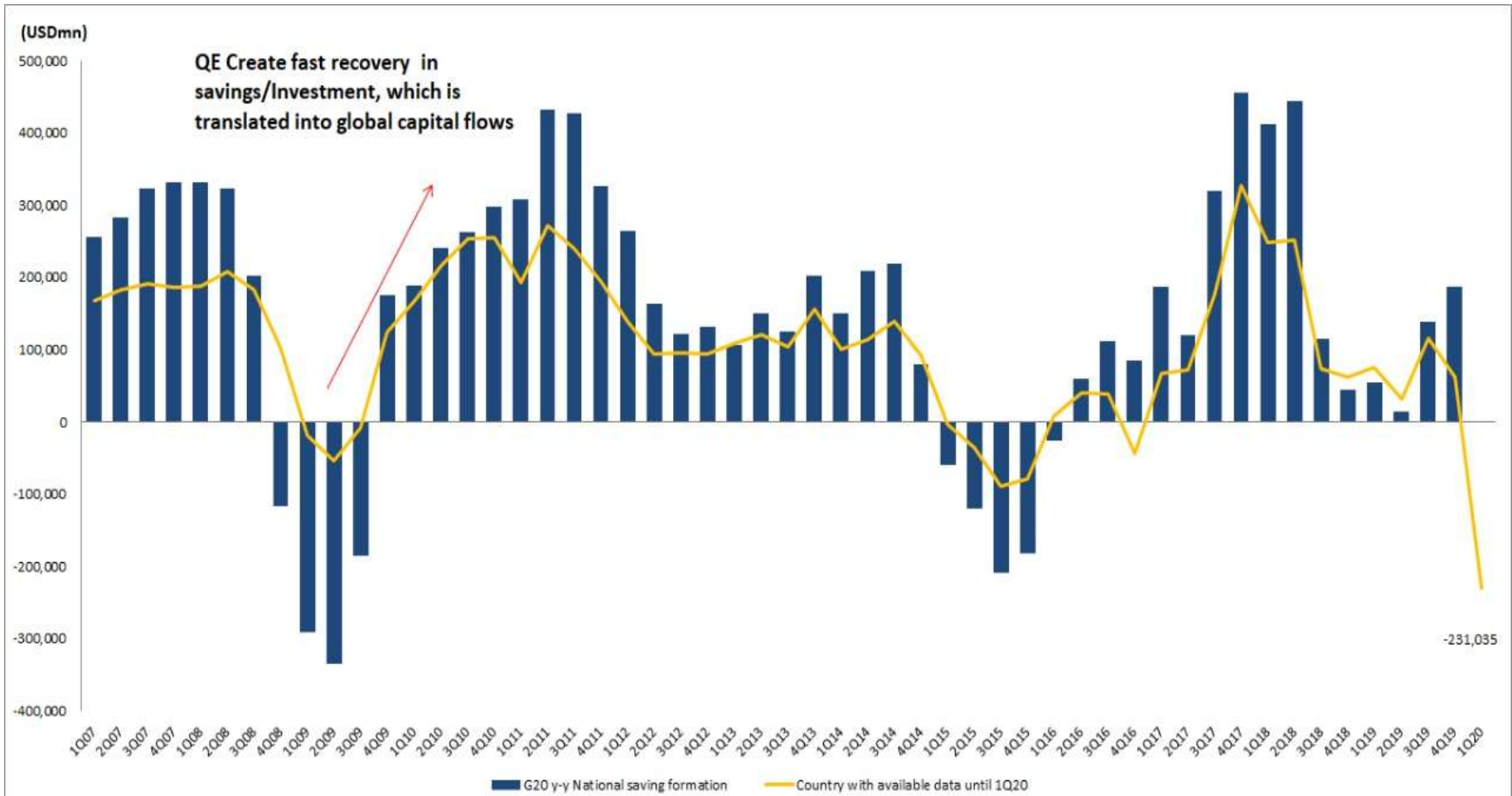
Expectation on further US the Fed expansion

TOTAL ASSETS OF THE U.S. FEDERAL RESERVE



Global Saving & Capital Creation: The Origin of the Flows

Global Saving Creation of G-20 nation



Source: Trimegah Research

Inflationary Environment vs. Deflationary Environment

Inflationary
Environment
(Money
Value Drop)

Triggered by
Supply
Shock and
Bankruptcy

Purchasing
power drop but
salary up

Investment Up

Virtuous Cycle
of Economy

World Wide Govt Decision not to let any major bankruptcy to occur at current environment, rising debt and automation creating massive deflationary pressure going ahead

Deflationary
Environment
(Production
Value Drop)

Triggered by
Demand
Shock

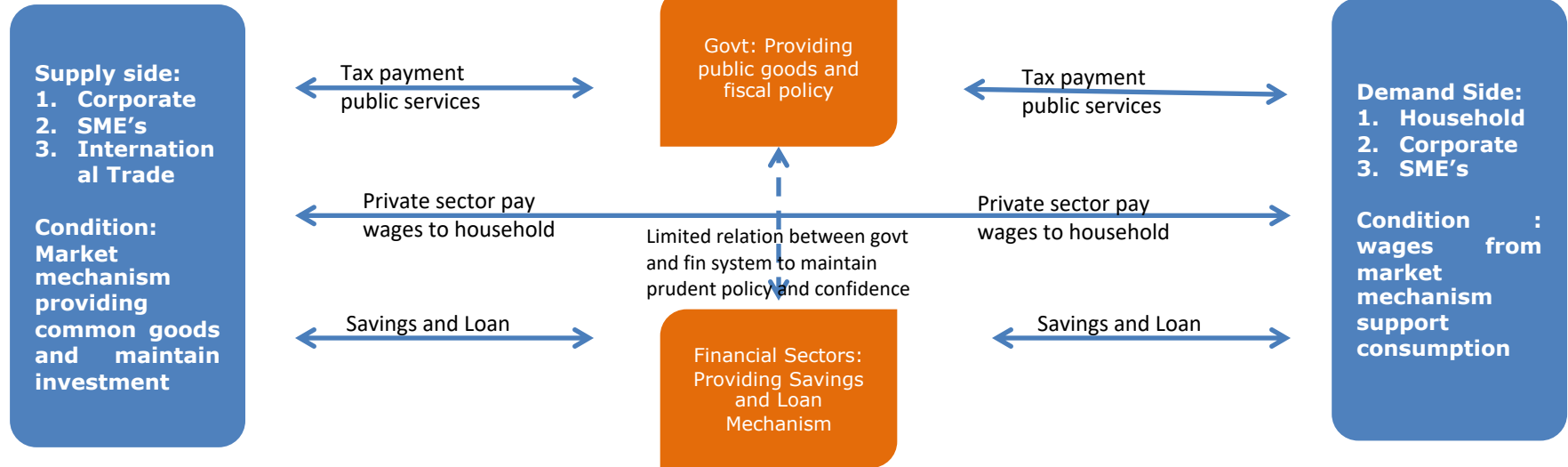
Producent lower
the production
and doing lay-
off

Investment
Drop

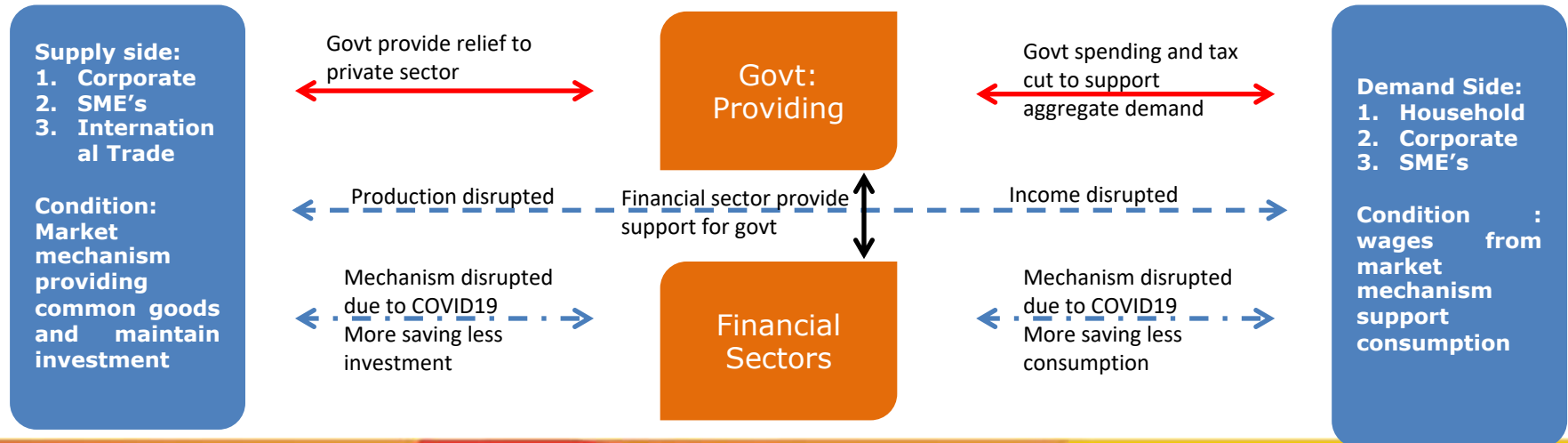
Vicious Cycle of
Economy

Framework of thinking regarding COVID19 Situation

Normal Situation



Current Situation



Ongoing Situation: COVID19 create disparity on liquid asset composition in banking system & add more liquidity to market

| Average balance per account (Rp mn) | 1Q19 | 2Q19 | 3Q19 | 4Q19 | 1Q20 | 1Q20 - 4Q19 (Rp) |
|-------------------------------------|------------------|------------------|------------------|------------------|------------------|----------------------|
| 0-100 juta | 2.93 | 2.97 | 2.90 | 2.98 | 2.84 | -135,895 |
| 101-200 juta | 140.43 | 140.33 | 140.38 | 140.26 | 140.39 | 127,095 |
| 201-500 juta | 320.96 | 320.35 | 320.93 | 320.13 | 320.95 | 826,203 |
| 501 juta - 1 milyar | 724.13 | 722.82 | 723.35 | 722.44 | 723.19 | 748,898 |
| 1.01-2 milyar | 1,426.26 | 1,423.33 | 1,423.09 | 1,421.45 | 1,425.57 | 4,120,936 |
| 2.01-5 milyar | 3,129.61 | 3,125.78 | 3,130.82 | 3,123.88 | 3,130.10 | 6,224,489 |
| > 5 milyar | 28,114.79 | 27,947.76 | 27,925.89 | 26,962.75 | 28,764.23 | 1,801,478,501 |

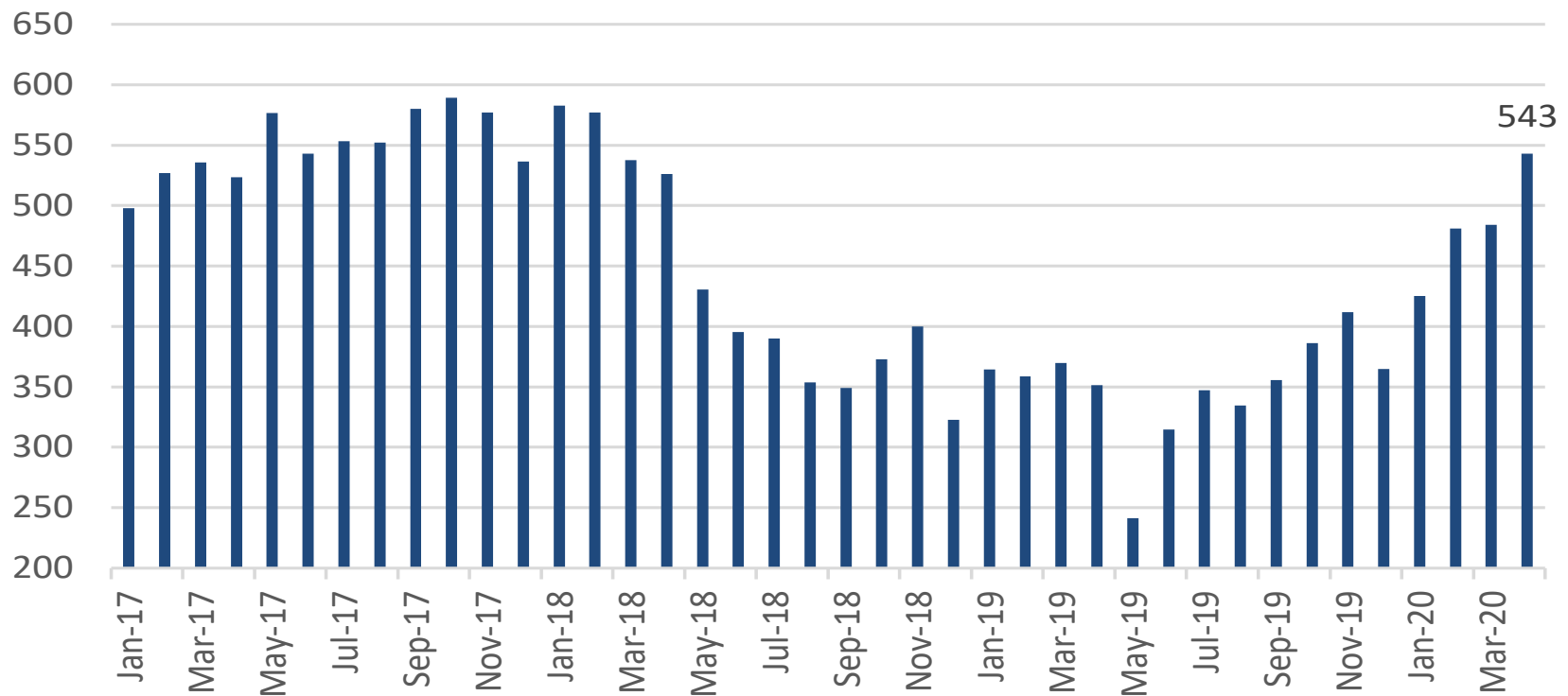
| Total balance (Rp bn) | 1Q19 | 2Q19 | 3Q19 | 4Q19 | 1Q20 | 1Q20 - 4Q19 (Rp bn) |
|-----------------------|------------------|------------------|------------------|------------------|------------------|---------------------|
| 0-100 juta | 811,310 | 842,176 | 840,167 | 882,783 | 857,000 | -25,783 |
| 101-200 juta | 325,986 | 334,479 | 338,197 | 351,844 | 346,000 | -5,844 |
| 201-500 juta | 508,754 | 525,203 | 532,366 | 556,126 | 554,000 | -2,126 |
| 501 juta - 1 milyar | 440,617 | 455,783 | 461,213 | 487,264 | 485,000 | -2,264 |
| 1.01-2 milyar | 388,273 | 401,111 | 407,312 | 418,564 | 424,000 | 5,436 |
| 2.01-5 milyar | 523,712 | 535,990 | 547,514 | 557,562 | 558,000 | 438 |
| > 5 milyar | 2,662,358 | 2,687,485 | 2,753,074 | 2,727,660 | 2,971,000 | 243,340 |

Source: LPS

Ongoing Situation: Money Flow is back to banking system as bold govt action meet weak loan demand

Deposit – Loan Spread

(IDRtn)



Source: CEIC, OJK

Lesson from many era: Bankers Always Win

Years Banks Composition in JCI

2000

40%

2007

30%

2012

30%

2015

40%

2019

40%

May 01, 2020 - 07:30 PM EDT

Big banks are growing due to coronavirus — that's an ominous sign



GETTY

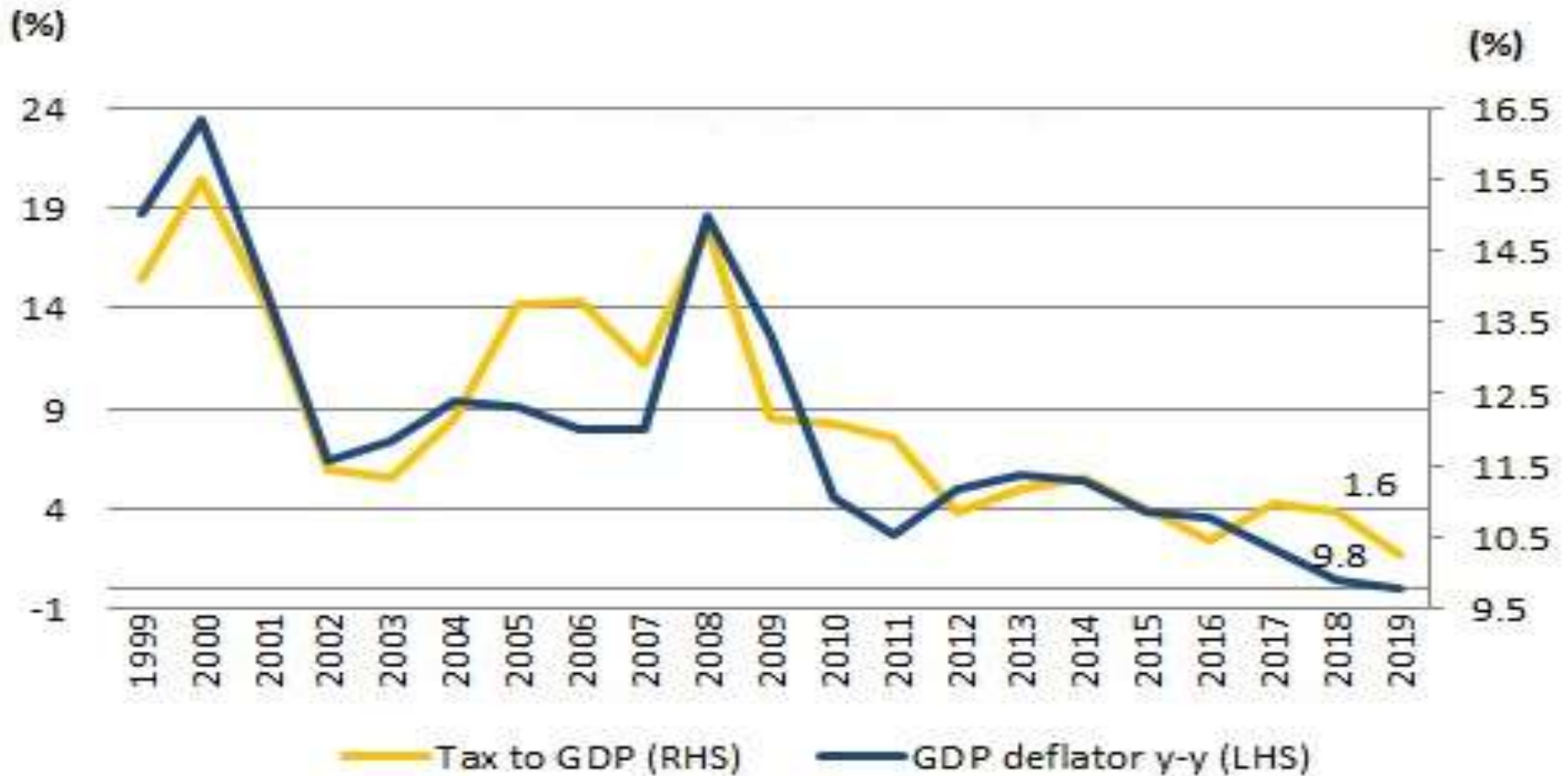
BY JEREMY KRESS, OPINION CONTRIBUTOR

Collectively, the ten largest U.S. banks expanded by more than \$1.2 trillion in the first quarter of 2020. JPMorgan alone grew by nearly 20 percent, becoming the United States' first bank with [\\$3 trillion in assets](#). The bank took in \$273 billion in new deposits in just three months. That's equivalent to JPMorgan acquiring PNC Bank - the country's seventh largest depository institution.

This dramatic growth stems from two dynamics related to the coronavirus pandemic. First, as companies have drawn on their pre-existing lines of credit and the Federal Reserve has flooded the markets with waves of liquidity, firms and investors have deposited massive sums of cash in their bank accounts. This influx of funds has been referred to as a "[reverse run on the banks](#)."

Source: The Hill

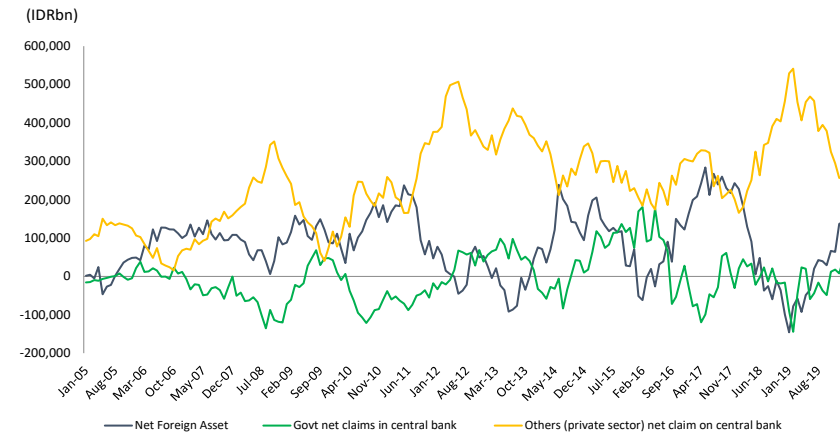
Ongoing Situation: Deflation, Not Inflation



Should we worry with a jump in inflation and IDR depreciation due to BI action?

- Rising inflation and IDR depreciation has already become a concern among investors, regarding prospective BI bond buying in primary market govt bond. We don't agree with this statement with prospective slower money creation from private sector during COVID19. Govt bond increase would only replace private sector loan which likely to edged lower.
- Lesson from 1998 economic situation, preventing private sector to chase for loan during stressed situation is an important thing to make sure stability. Note that, govt account in central bank is contracting instead of expanding during that period.

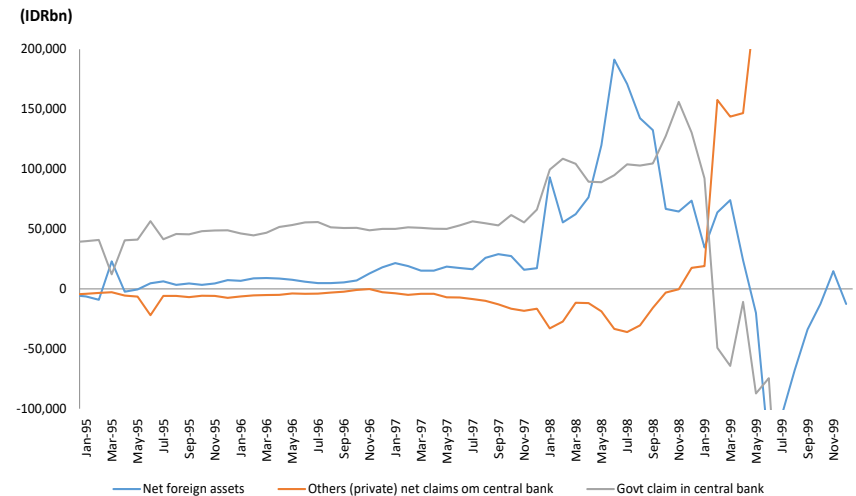
M2 growth composition (2010-2020)



USDIDR movement



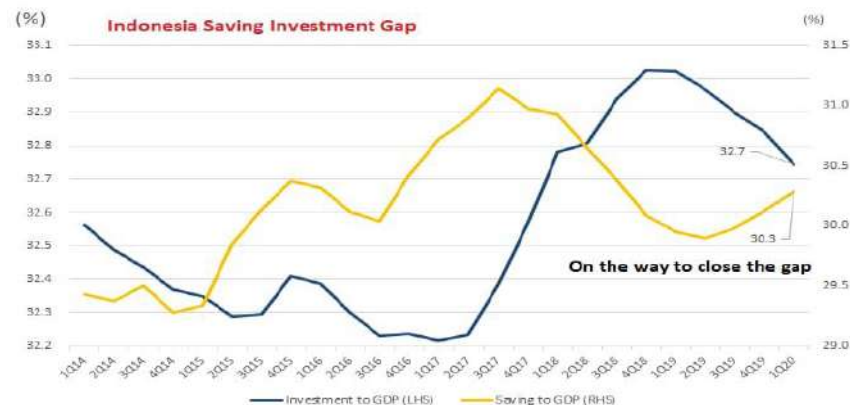
M2 growth composition (1996-1999)



Source: CEIC, Bank Indonesia

Indonesia Current Account could be in surplus quarters ahead, creating massive change in investment mindset

- Based on new sensitivity analysis, assuming national ICOR to be at 8.00% in 2020, 2.00% GDP growth in 2020 could bring CA balance to GDP to be at 1.11%. Further lower GDP growth or even negative growth should open possibility for positive Current Account Balance of Indonesia.
- Recent announcement of good May trade data indicate 2Q20 CA balance likely to be at 1.6% of GDP (2Q19: 2.9% of GDP).
- Going ahead, we continue eying the possibility of positive current account balance in 3Q and 4Q20.



Source: BI, BPS, Trimegah Research



| Oil /bbl | GDP Growth | | | | | | |
|----------|------------|-------|-------|-------|-------|-------|-------|
| | 1.00 | 1.50 | 2.00 | 2.50 | 3.00 | 3.50 | 4.00 |
| 10 | -0.74 | -0.78 | -0.82 | -0.87 | -0.91 | -0.95 | -0.99 |
| 20 | -0.88 | -0.93 | -0.97 | -1.01 | -1.05 | -1.10 | -1.14 |
| 30 | -1.03 | -1.07 | -1.11 | -1.16 | -1.20 | -1.24 | -1.28 |
| 40 | -1.18 | -1.22 | -1.26 | -1.30 | -1.35 | -1.39 | -1.43 |
| 50 | -1.32 | -1.36 | -1.41 | -1.45 | -1.49 | -1.53 | -1.58 |
| 60 | -1.47 | -1.51 | -1.55 | -1.60 | -1.64 | -1.68 | -1.72 |
| 70 | -1.61 | -1.66 | -1.70 | -1.74 | -1.78 | -1.83 | -1.87 |

Prospective Behavior Change in New Normal

Possible situation post COVID 19 in corporates:

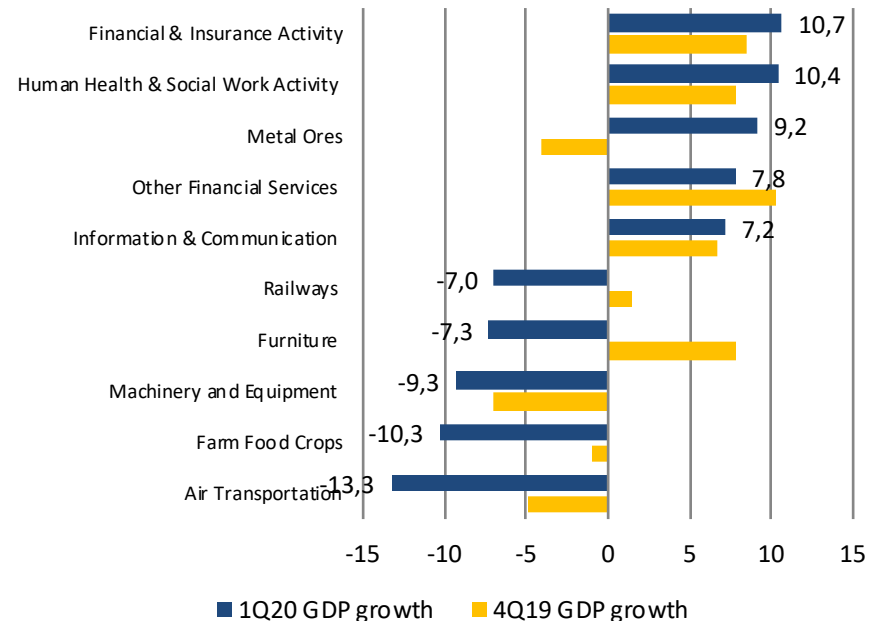
1. Higher investment in IT related,
2. Supply Chain diversification going outside China,
3. Just In Time Inventory will be no longer relevant, cash in hand will be raised,
4. Leverage tend to be lower,
5. Tourism and hospitality industry to lost its appeal,
6. Agriculture likely to rose as food security becoming a big issue,

Possible situation post COVID 19 for Consumers :

1. Tendency to save raised,
2. Demand for durable goods order will be lower,
3. Demand for basic necessities, especially healthcare will be raised

Question : Should govt permanently increase fiscal deficit going ahead ?

Top 5 and Lowest 5 GDP growth by Sector in 1Q20



The situation will be bullish for Telecommunication, healthcare and tech company, while bearish for real estate, commodities and tourism

Prospective Govt Action (Supply Side vs Demand Side)

Demand Side **Budget for National Economic Recovery Program (exc. Health program)** Supply Side
Rp 205.2 T **Rp 598.65 T** **Rp 393.45 T**

| | |
|-------------------------------------|--------------|
| Cash incentive for poor family | 37.4 |
| Basic food needs | 43.6 |
| Social package for Jabodetabek | 6.8 |
| Social package for Non-Jabodetabek | 32.4 |
| Pre-Employment package | 20 |
| Electricity subsidy | 6.9 |
| Logistic/ food/ and basic food need | 25 |
| Cash incentive for rural area | 31.8 |
| Subtotal | 203.9 |
| | |
| Housing incentive | 1.3 |
| Total | 205.2 |

| | |
|---|---------------|
| Fund Placement for SME and Labor Intensive | 82.2 |
| SME (Rp 78.78 T), Labor Intensive (Rp 3.42 T) | |
| Guarantee | 12 |
| IJP (Rp 10 T), Reserve Guarantee (Rp 2T) | |
| State Equity Participation | 15.5 |
| HK (Rp 7.5 T), BPUI (Rp 6 T), PNM (Rp 1.5 T), ITDC (Rp 0.5 T) | |
| Debt Allocation for Working Capital | 19.65 |
| Tax Incentive | 123.01 |
| Local Government Support | 23.7 |
| Tourism | 3.8 |
| Ministry's Labor Intensive Program | 18.44 |
| Investment Financing for Cooperatives through LPDB KUMKM | 1 |
| Reserve | 58.87 |
| Total | 393.45 |

Different target, Different results

Scenario 1

More Stimulus for supply side instead of demand side



Corporate sector receive more benefit from incentives, omnibus law and tax cut.



Limited demand side support, CA balance improved, inflation to remain low, Lower long-run interest rate



Aggregate demand problem to limit growth prospect, highly dependence on global demand, permanent increase in fiscal deficit to support growth

Scenario 2

More Stimulus for demand side instead of supply side



Household receive more money, corporate sales growth improve, no change in Omnibus Law



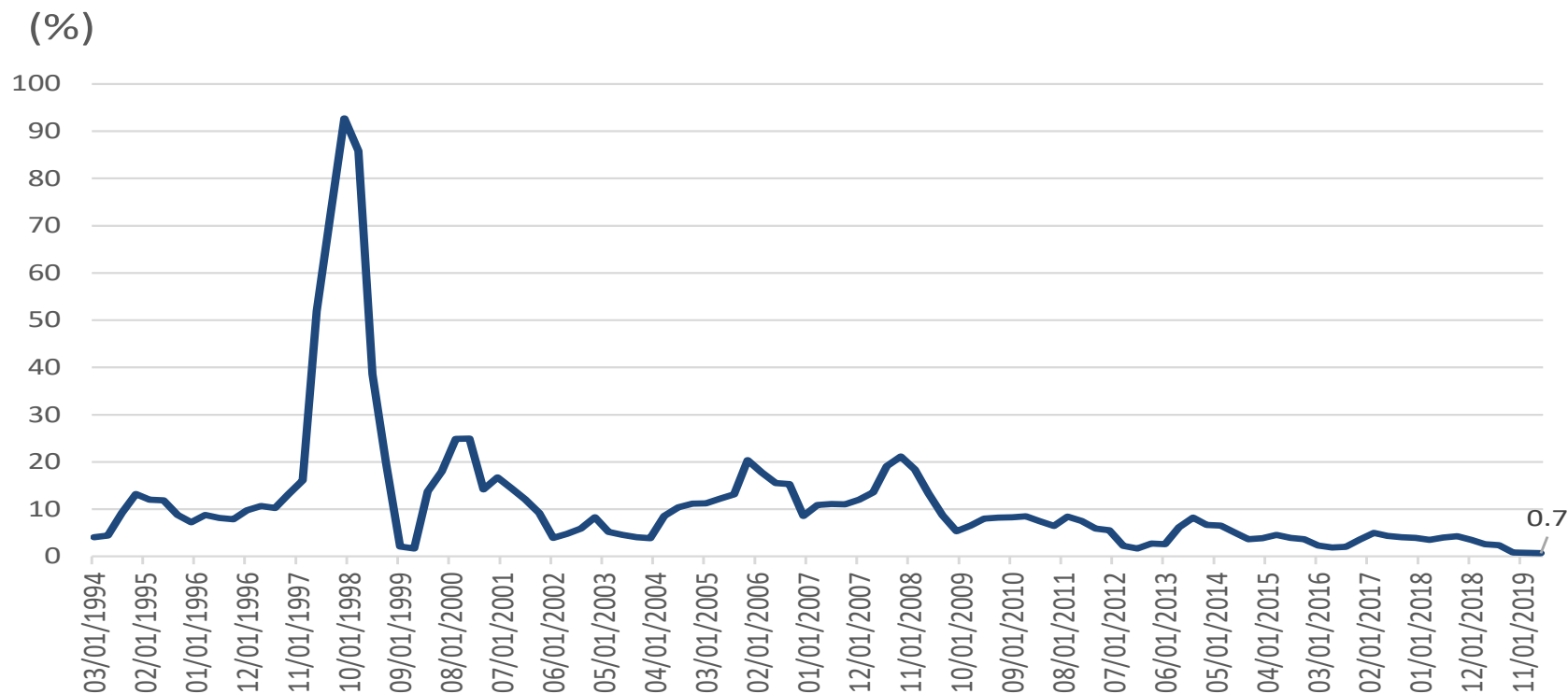
CA Deficit problem remain but global investor to support Indonesian demand, interest rate to remain cyclical, inflation to be higher



Aggregate demand is back, govt could withdraw its aggressive fiscal deficit back to below 3% of GDP

Indonesia is bracing for the first deflation in history

Indonesia GDP Deflator y-y



Value Added Driven Economy



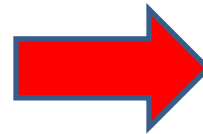
Rostow Structural Growth Theory

Economy is driven by value added, superior technology, growth should be gradual

Wages of workers should be high as mass-consumption is driver of the economy,

FDI goes to nation who could produce high value products ,

Global Overdemand, Undersupply, High GDP Growth, Inflation.
Profit is coming from selling expensive products



Race to the Bottom



Alexander Gerschenkron Backwardness Theory

Economy is driven by capital accumulation and cost leadership, growth should be fast at the beginning,

Wages may not high as it hinders competitiveness, demand depend on export abroad,

FDI goes to the most efficient nation,

Global Oversupply, Underdemand, low GDP growth, Deflation .
Profit created by cost cutting

Changing landscape from this two paradigm in COVID 19 situation will shape how we see investment and economy going ahead

Deflation in Dutch East Indies (1928-1936)

Sugar Plantation Workers Income

| Years | Wages ('000 Gulden) | Land Rent ('000 Gulden) | Sugar Cane Fee ('000 Gulden) |
|-------|------------------------|----------------------------|---------------------------------|
| 1928 | 106,268 | 22,868 | 5,008 |
| 1929 | 101,827 | 23,915 | 3,918 |
| 1930 | 97,866 | 25,044 | 2,986 |
| 1931 | 93,978 | 25,026 | 2,207 |
| 1932 | 53,077 | 21,703 | 911 |
| 1933 | 21,866 | 11,854 | 384 |
| 1934 | 9,712 | 6,526 | 189 |
| 1935 | 7,270 | 3,989 | 233 |
| 1936 | 7,517 | 3,183 | 244 |

Salary by Profession

| | Prior to Crisis | Post Crisis |
|---------------------------|-----------------|-------------|
| Mandor Wages | f 18 | f 7.5 |
| Koeli in plantation wages | 40 - 45 sen | 10 - 14 sen |
| Koeli in factory wages | 25-35 sen | 10 sen |

Price of Important Commodities

| f | 1928 | 1929 | 1930 | 1931 | 1932 | 1933 | 1934 | 1935 | 1936 |
|-------------------|------|------|------|------|------|------|------|------|------|
| Padi Bulu / Pikul | 4.79 | 4.90 | 4.39 | 2.38 | 2.11 | 1.62 | 1.71 | 1.83 | 1.65 |
| 100 of Coconuts | 6.50 | 6.00 | 6.00 | 4.00 | 2.00 | 2.00 | 1.50 | 1.00 | 2.50 |
| Cassava / Pikul | 1.22 | 1.45 | 1.66 | 0.79 | 0.51 | 0.48 | 0.53 | 0.70 | 0.60 |
| 100 of Corn | 0.66 | 0.75 | 0.62 | 0.37 | 0.30 | 0.23 | 0.27 | 0.26 | 0.22 |

Govt state budget realization until May 2020

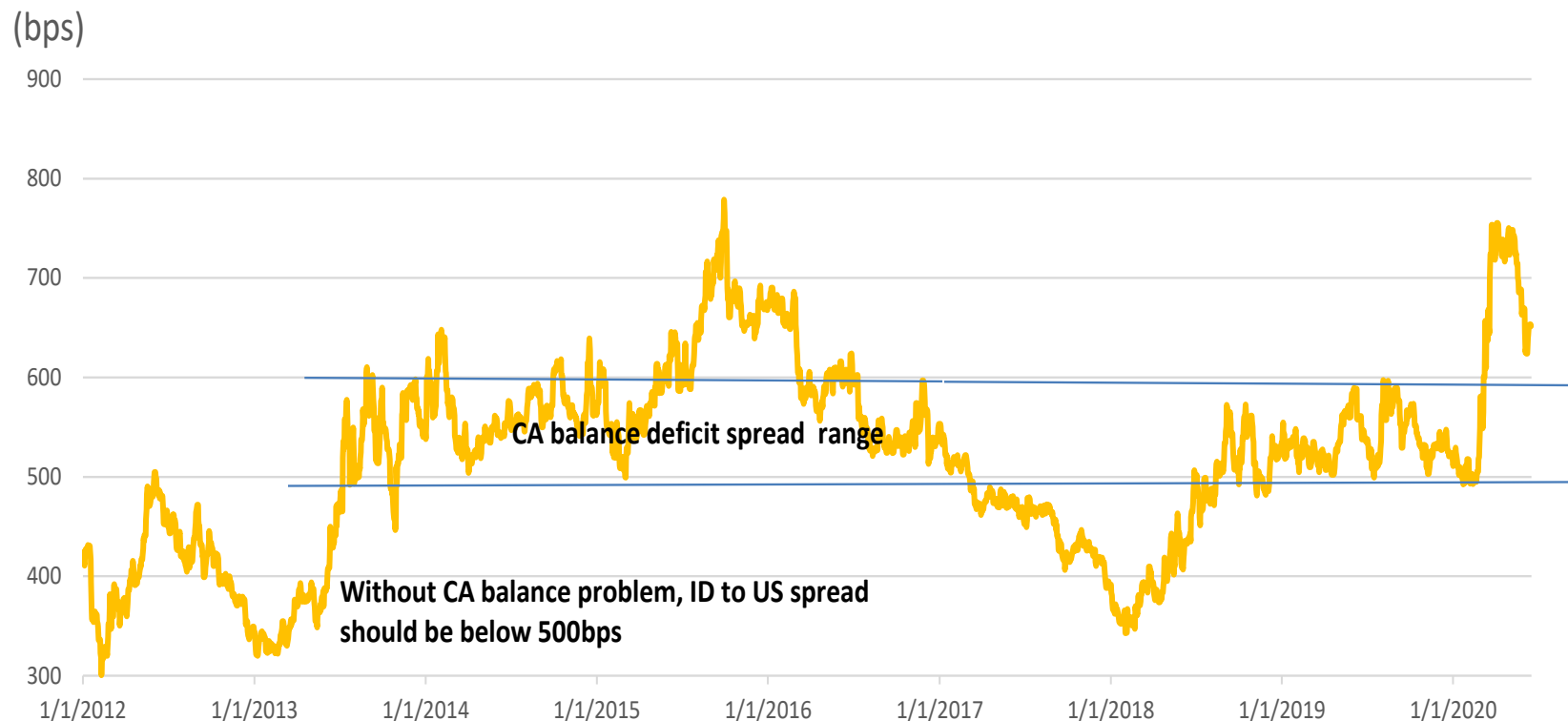
REALISASI APBN S.D. 31 MEI 2020

Pendapatan Negara dan belanja Negara mengalami pertumbuhan negatif dibanding tahun lalu, sedangkan Defisit mengalami peningkatan secara nominal maupun rasio terhadap PDB lebih tinggi dibanding 3 tahun terakhir

| Uraian (triliun rupiah) | 2018 | | | 2019 | | | | 2020 | | | |
|---|--------------------------|----------------|----------------|-------------------|--------------------------|-------------------------|---------------|---|--------------------------|----------------------------|------------------|
| | Realisasi s.d. 31 Mei | % thd LKPP | Growth (%) | LKPP Unaudited | Realisasi s.d. 31 Mei | % thd LKPP Unaudited | Growth (%) | Perubahan APBN (Perpres 54/2020) | Realisasi s.d. 31 Mei | % thd Perubahan APBN | Growth (%) |
| A. Pendapatan Negara | 686,0 | 35,3 | 15,5 | 1.958,6 | 730,1 | 37,3 | 6,4 | 1.760,9 | 664,3 | 37,7 | (9,0) |
| I. Pendapatan Dalam Negeri | 684,5 | 35,5 | 15,3 | 1.953,3 | 729,7 | 37,4 | 6,6 | 1.760,4 | 663,1 | 37,7 | (9,1) |
| 1. Penerimaan Perpajakan | 538,7 | 35,5 | 14,5 | 1.546,1 | 571,2 | 36,9 | 6,0 | 1.462,6 | 526,2 | 36,0 | (7,9) |
| Tax Ratio % (arti luas) | 3,98 | | | 10,69 | 4,00 | | | 9,14 | 3,50 | | |
| a. Pendapatan DJP (Include Pph Migas) | 484,9 | 36,9 | 14,2 | 1.332,7 | 498,5 | 37,4 | 2,8 | 1.254,1 | 444,6 | 35,4 | (10,8) |
| b. Pendapatan DJBC | 53,8 | 26,2 | 17,4 | 213,5 | 72,7 | 34,0 | 35,1 | 208,5 | 81,7 | 39,2 | 12,4 |
| 2. PNBPN | 145,9 | 35,6 | 18,1 | 407,1 | 158,5 | 38,9 | 8,6 | 297,8 | 136,9 | 46,0 | (13,6) |
| II. Penerimaan Hibah | 1,4 | 9,3 | 580,5 | 5,4 | 0,5 | 9,2 | (66,0) | 0,5 | 1,2 | 240,2 | 143,7 |
| B. Belanja Negara | 779,5 | 35,2 | 7,9 | 2.304,3 | 855,9 | 37,1 | 9,8 | 2.613,8 | 843,9 | 32,3 | (1,4) |
| I. Belanja Pemerintah Pusat | 458,0 | 31,5 | 18,0 | 1.493,2 | 530,8 | 35,6 | 15,9 | 1.851,1 | 537,3 | 29,0 | 1,2 |
| 1. Belanja K/L | 231,5 | 27,3 | 19,9 | 870,3 | 288,2 | 33,1 | 24,5 | 836,5 | 270,4 | 32,3 | (6,2) |
| 2. Belanja Non K/L | 226,5 | 37,2 | 16,2 | 622,9 | 242,6 | 38,9 | 7,1 | 1.014,6 | 267,0 | 26,3 | 10,1 |
| II. Transfer Ke Daerah dan Dana Desa | 321,5 | 42,4 | (4,0) | 811,1 | 325,1 | 40,1 | 1,1 | 762,7 | 306,6 | 40,2 | (5,7) |
| 1. Transfer Ke Daerah | 300,8 | 43,1 | (1,9) | 741,3 | 304,7 | 41,1 | 1,3 | 691,5 | 277,7 | 40,2 | (8,8) |
| 2. Dana Desa | 20,7 | 34,5 | (26,7) | 69,8 | 20,4 | 29,3 | (1,1) | 71,2 | 28,9 | 40,6 | 41,3 |
| C. Keseimbangan Primer | 19,0 | (164,9) | (163,5) | (70,1) | 1,3 | (1,9) | (93,1) | (517,8) | (33,9) | 6,6 | (2.710,4) |
| D. Defisit | (93,5) | 34,7 | (27,3) | (345,6) | (125,8) | 36,4 | 34,5 | (852,9) | (179,6) | 21,1 | 42,8 |
| % Defisit thd PDB | (0,63) | | | (2,18) | (0,79) | | | (5,07) | (1,10) | | |
| E. Pembiayaan Anggaran | 179,4 | 58,7 | (8,3) | 398,9 | 159,9 | 40,1 | (10,9) | 852,9 | 356,1 | 41,7 | 122,6 |
| SILPA/SIKPA | 85,9 | | | - | 34,1 | | | - | 176,4 | | |

Source: Ministry of Finance

CA balance trend and spread on Indonesia govt bond



Source: Bloomberg, Trimegah Research

Govt Bond Valuation Matrix

| Country | Sovereign Rating | | | 10yr Govt. Bond Yield (%) | | | Weekly Change (%) | YTD Change (%) | Inflation y-y | Real Yield | Expected Inflation ('21) |
|--------------|------------------|-------|------|---------------------------|------------|------------|-------------------|----------------|---------------|------------|--------------------------|
| | Moodys | Fitch | S&P | Beginning of '20 | 27/05/2020 | 03/06/2020 | | | | | |
| Indonesia | Baa2 | BBB | BBB | 7.06 | 7.35 | 7.00 | -4.76 | -0.92 | 2.19 | 4.81 | 2.8 |
| Malaysia | A3 | A- | A- | 3.31 | 2.82 | 2.85 | 1.24 | -13.98 | -2.90 | 5.75 | -0.2 |
| Philippine | Baa2 | BBB | BBB+ | 4.48 | 3.22 | 3.28 | 1.77 | -26.81 | 2.20 | 1.08 | 2.2 |
| Thailand | Baa1 | BBB+ | BBB+ | 1.44 | 1.14 | 1.20 | 4.55 | -17.24 | -3.44 | 4.64 | -1.1 |
| South Korea | Aa2 | AA- | AA | 1.63 | 1.33 | 1.42 | 6.46 | -12.80 | -0.30 | 1.72 | 0.5 |
| India | Baa3 | BBB- | BBB- | 6.56 | 5.76 | 5.77 | 0.24 | -11.98 | 5.84 | -0.07 | 4.7 |
| Vietnam | Ba3 | BB | BB | 3.47 | 3.10 | 3.03 | -2.26 | -12.63 | 2.40 | 0.63 | 3.4 |
| China | A1 | A+ | A+ | 3.14 | 2.72 | 2.79 | 2.53 | -11.16 | 3.30 | -0.51 | 3.1 |
| South Africa | Ba1 | BB | BB- | 9.03 | 9.01 | 8.65 | -3.97 | -4.21 | 3.10 | 5.55 | 3.5 |
| Brazil | Ba2 | BB- | BB- | 6.72 | 7.13 | 6.85 | -4.02 | 1.83 | 2.40 | 4.45 | 2.5 |
| Mexico | Baa1 | BBB- | BBB | 6.91 | 6.20 | 6.14 | -0.98 | -11.14 | 2.15 | 3.99 | 3.0 |
| Ukraine | Caa1 | B | B | 6.51 | 8.49 | 7.77 | -8.42 | 19.44 | 2.10 | 5.67 | 5.9 |
| Russia | Baa3 | BBB | BBB- | 6.36 | 5.55 | 5.53 | -0.36 | -13.05 | 3.10 | 2.43 | 3.4 |

Source: Bloomberg, Trimegah Research

Summary of Important Forecast

| | GDP | | | | | FY2020 | Inflation | | | | USDIDR | | | |
|---|------|-------|-------|------|-------|--------|-----------|------|------|-------|--------|-------|-------|--|
| | 1Q20 | 2Q20 | 3Q20 | 4Q20 | 1Q20 | | 2Q20 | 3Q20 | 4Q20 | 1Q20 | 2Q20 | 3Q20 | 4Q20 | |
| Scenario 1 Base case (Central Bank Action Could Sustain the Situation) | 2.97 | -3.00 | 1.50 | 3.50 | 1.24 | 2.96 | 3.00 | 2.80 | 2.50 | 16367 | 14600 | 14300 | 14300 | |
| Scenario 2 2nd case (Term of Trade Shok) | 2.97 | -3.50 | 0.00 | 2.50 | 0.49 | 2.96 | 3.00 | 3.10 | 3.20 | 16367 | 16000 | 15500 | 14800 | |
| Scenario 3 Worst Case (China & global corp debt default) | 2.97 | -6.00 | -3.00 | 0.00 | -1.51 | 2.96 | 3.2 | 4.00 | 4.20 | 16367 | 18000 | 18500 | 17000 | |

| | 7D Reverse Repo rate | | | |
|---|----------------------|------|------|------|
| | 1Q20 | 2Q20 | 3Q20 | 4Q20 |
| Scenario 1 Base case (Central Bank Action Could Sustain the Situation) | 4.50 | 4.25 | 4.00 | 3.75 |
| Scenario 2 2nd case (Term of Trade Shok) | 4.50 | 4.25 | 4.25 | 4.25 |
| Scenario 3 Worst Case (China & global corp debt default) | 4.50 | 5.00 | 5.25 | 5.50 |

| | 10yr ID Govt Bond | | | |
|---|-------------------|------|------|------|
| | 1Q20 | 2Q20 | 3Q20 | 4Q20 |
| Scenario 1 Base case (Central Bank Action Could Sustain the Situation) | 7.91 | 8.20 | 7.20 | 6.00 |
| Scenario 2 2nd case (Term of Trade Shok) | 7.91 | 8.30 | 8.30 | 7.50 |
| Scenario 3 Worst Case (China & global corp debt default) | 7.91 | 8.60 | 9.00 | 8.50 |

| | Old Probability | New Probability |
|---|-----------------|-----------------|
| Scenario 1 Base case (Central Bank Action Could Sustain the Situation) | 10% | 40% |
| Scenario 2 2nd case (Term of Trade Shok) | 40% | 40% |
| Scenario 3 Worst Case (China & global corp debt default) | 50% | 20% |

Source: Trimegah Research

We revise down our growth forecast, while keeping scenario for USDIDR and Interest rate unchanged, as no significant change in relative valuation and attractiveness.

In Scenario 1, we cut our FY2020 GDP growth target to be at 1.24% y-y, with recovery started to take place by 3Q20 (assuming condition to improve in 3Q20 going ahead). At this situation, deflationary pressure to continue bringing inflation to 2.50% by 2020 year end. As central bank success to limit credit risk, IDR could strengthen to 14,300 by year end.

In Scenario 2, we expect FY2020 GDP to be at 0.49%, with recovery take place in late 2020. Supply destruction is likely to bring higher inflation to 3.20% (still hampered by weak demand), while we expect IDR to be at 14,800.

In Scenario 3, if any Minsky moment to happen, we expect growth to be at -1.51% by 2020 year end, risk off situation is expected to follow.

Disclaimer

This report has been prepared by PT Trimegah Sekuritas Indonesia Tbk on behalf of itself and its affiliated companies and is provided for information purposes only. Under no circumstances is it to be used or considered as an offer to sell, or a solicitation of any offer to buy. This report has been produced independently and the forecasts, opinions and expectations contained herein are entirely those of PT Trimegah Sekuritas Indonesia Tbk.

While all reasonable care has been taken to ensure that information contained herein is not untrue or misleading at the time of publication, PT Trimegah Sekuritas Indonesia Tbk makes no representation as to its accuracy or completeness and it should not be relied upon as such. This report is provided solely for the information of clients of PT Trimegah Sekuritas Indonesia Tbk who are expected to make their own investment decisions without reliance on this report. Neither PT Trimegah Sekuritas Indonesia Tbk nor any officer or employee of PT Trimegah Sekuritas Indonesia Tbk accept any liability whatsoever for any direct or consequential loss arising from any use of this report or its contents. PT Trimegah Sekuritas Indonesia Tbk and/or persons connected with it may have acted upon or used the information herein contained, or the research or analysis on which it is based, before publication. PT Trimegah Sekuritas Indonesia Tbk may in future participate in an offering of the company's equity securities.

This report is not intended for media publication. The media is not allowed to quote this report in any article whether in full or in parts without permission from PT Trimegah Sekuritas Indonesia Tbk. For further information, the media can contact the head of research of PT Trimegah Sekuritas Indonesia Tbk.

This report was prepared, approved, published and distributed by PT Trimegah Sekuritas Indonesia Tbk located outside of the United States (a "non-US Group Company"). Neither the report nor any analyst who prepared or approved the report is subject to U.S. legal requirements or the Financial Industry Regulatory Authority, Inc. ("FINRA") or other regulatory requirements pertaining to research reports or research analysts. No non-US Group Company is registered as a broker-dealer under the Exchange Act or is a member of the Financial Industry Regulatory Authority, Inc. or any other U.S. self-regulatory organization.

INVESTMENT RATING RULE:

| | |
|-----------|---|
| Buy | : Share price is expected to exceed more than 10% over the next 12 months |
| Neutral | : Share price is expected to trade within the range of 0%-10% over the next 12 months |
| Sell | : Share price is expected to trade below 0% over the next 12 months |
| Not Rated | : The company is not within Trimegah research coverage |