

Premier Insight

19 December 2016

Economic Update

Good conclusion

- Thursday saw last economic data launch & DoG meeting in 2016
- Trade balance registered US\$0.84bn surplus in Nov16
- Export improvement was due to higher CPO price
- BI maintained 7DRRR at 4.75% to close 2016

Latest data and BI meeting. The latest economic data launch and the Bank Indonesia Board of Governors' meeting took place concurrently on December 15th with trade balance data recording yet another surplus of US\$0.84bn. Until Nov16, trade balance had averaged around US\$0.71bn in 2016 with contribution entirely from non-oil and trade (averaging around US\$1.18bn in the same period). We believe export and import declines have relatively bottomed out in 2016 to settle at average declines of -5.3% yoy and -5.8% yoy, respectively (vs -14.6% and -19.9% in 2015), albeit another Dec16 statistic will materialise next year.

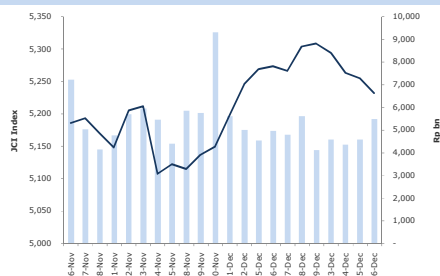
Trade surplus of US\$0.84bn. The US\$0.84bn trade surplus was a positive result, in our view, of 21.3% mom export increase and 9.9% mom import rise in Nov16. The largest export increase in absolute terms was in manufacturing (11.4% mom), followed by mining (13.3% mom), and agriculture (13.6% mom). Imports, on the other hand, mostly increased in terms of raw or supporting material (11.6% mom), capital goods (4.2% mom), and consumption goods (7.3% mom).

Improvement in animal and natural fat exports. Non-oil and gas trade grew more than five-fold from Nov16, mostly derived from improvement in exports of animal and natural fats, followed by mineral fuels. These fats grew by 20.4% mom and fuel by 10%. Increase in CPO price should provide the background to the increase in fats; we note that CPO spot price increased 4.3% mom to settle at US\$692.9 by Nov16.

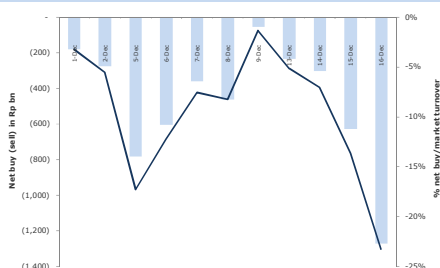
Machinery imports rose. Imports also saw a rise in the month as both oil and gas as well as non-oil and gas imports, driven by machinery imports, increased by 13.9% and 9.4%, respectively. Cumulatively, mechanical and electricity equipment and machinery increased by 11.3% mom, where as oil and gas trade balance was supported by improvement in crude oil prices (Brent increased 5.2% mom, settling at US\$51.8 by Nov16). The steady increase in machinery is expected to be reflected in higher investment in 4Q16, as it should be supported by the government's infrastructure program.

7DRRR remained at 4.75%. The monetary authority decided to maintain 7DRRR at the prevailing level of 4.75% along with deposit and lending facilities at 4% and 5.25%, respectively. This is the final rate before 2016 ends after BI had previously cut rates six times and shifted to use the 7DRRR as the reference rate (BI rate was previously used prior to Aug16). Earlier in the day, the Federal Reserve decided to undertake its first rate raise in 2016 within the 0.50-0.75% ban, which might have been expected by BI and supported its decision, in addition to the currently limited room to execute another rate cut.

JCI Index



Foreign net buy (sell)



Key Indexes

Index	Closing	1 day	1 year	YTD
JCI	5,232	-0.4%	17.1%	13.9%
LQ45	874	-0.8%	13.3%	10.3%
DJI	19,843	0.0%	15.8%	13.9%
SET	1,523	0.2%	18.5%	18.2%
HSI	22,021	-0.2%	1.2%	0.5%
NKY	19,401	0.7%	2.2%	1.7%
FTSE	7,012	0.2%	15.8%	12.3%
FSSTI	2,938	0.2%	3.0%	1.9%
EIDO	24	-0.5%	17.6%	14.0%

Commodity price

Commodities (in USD)	Last price	Ret 1 day	Ret 1 year
Oil/barrel (WTI)	51.9	2.0%	46.1%
CPO/tonne	705.9	0.0%	31.5%
Soy/bushel	10.2	0.8%	18.7%
Rubber/kg	2.4	1.3%	86.6%
Nickel/tonne	11,120	-1.2%	27.7%
Tins/tonne	21,312	-0.2%	45.7%
Copper/tonne	5,630	-1.6%	22.3%
Gold/try.oz (Spot)	1,135	0.6%	6.4%
Coal/tonne	86.5	-2.6%	65.2%
Corn/bushel	3.4	-0.1%	-6.0%
Wheat/bushel*	122.5	-0.6%	-25.9%

* : 1 month change

Source : Bloomberg

News & Analysis

Corporates

BSDE: Bumi Serpong Damai (BSDE IJ; Rp1,760; Buy) booked land sales of Rp1.4tn to its JV company with Mitsubishi corporation. The land size is 19ha and average selling price at Rp7.4mn/sqm. BSDE and Mitsubishi will develop mixed use starting and will start develop 1,000 landed houses next year. (Bisnis Indonesia)

Comment: with this transaction and first phase of price amnesty program, company has booked Rp6.5tn of presales, 96/99% of company and ours FY16 target. we maintain our Buy call with TP of Rp2,600/share.

LPPF: Matahari Department Store (LPPF IJ; Rp14,500; Buy) plans to open 2 more stores in West Java and West Kalimantan by end of December, expecting to wrap up FY16 by fulfilling the target of 8 new stores opening. New outlets will have special opening promotions that is expected to ramp up sales just in time for end of year festivities. For next year, LPPF plans to expand at similar rate of 8 new stores. (Kontan)

SMBR: Semen Baturaja (SMBR IJ; Rp2,620; Sell) seems unlikely to achieve their internal target of sales volume of 1.7mn tons for FY16. Up to Nov16 total sales volume was 1.5mn tons (+4% yoy) with monthly sales volume to hit 167k tons (+9% yoy). Dec16 volume is expected to reach around 130-150k tons, leading to a volume of 1.6mn tons in FY16. Moreover, the new capacity of 1.8mtpa will be ready in 2H17. All of this additional capacity will be allocated for the domestic market. (Kontan)

TAXI: Express Transindo (TAXI IJ; Rp153; Sell) plans to collaborate with Uber by promoting the usage of Uber online apps for their drivers. This pilot program enables TAXI's drivers to cater UberX booking service and open the opportunity for Uber's drivers to make car installments from TAXI. (Bisnis Indonesia)

Comment: We view the strategic move in joining with Uber may promise a better utilization rate for TAXI. However, we view the different tariff charged to customers (between UberX and conventional taxi) should limit customers booking in UberX service. We still have sell rating for TAXI. To note, UberX is the low cost transportation service with base fare of Rp3,000, below regular taxi fare (Rp7,500).

TOTL: Total Bangun Persada (TOTL IJ; Rp765; Not Rated) aims net profit of Rp250bn in FY17 or 19% yoy growth of FY16E of Rp210bn. Company targets revenue of Rp3.1tn or 19.2% yoy growth from FY16E of Rp2.6tn. Meanwhile, new contract target for FY17 was set at Rp4tn and will be accomplished from mostly high rise project. (Bisnis Indonesia)

Markets & Sectors

Automotive sector: As indicated earlier, 4W sales volume grew +8.6% mom and +14.9% yoy in Nov16, due to strong contribution from Astra group. Overall market growth continued to give mixed signals and not all manufacturers are growing. This means that models launching will be important to win market share with sales to concentrate in strong brands such as Toyota and Honda. Despite improving growth momentum, we remain cautious on the industry. Astra grew 13.0% mom and 36.3% yoy, this is strong evidence of its successful launching of Calya and Sigr. Cumulatively, only Honda and Astra outperformed the industry growth with +25.8% yoy and 14.1% yoy, respectively (vs. industry of +3.8% yoy). Other manufacturers are still experience negative growth.

	16-Oct	16-Nov	% +/-	15-Nov	% +/-	11M15	11M16	% +/-
Astra	55,197	62,354	13.0%	45,752	36.3%	473,753	540,766	14.1%
Honda	17,088	16,501	-3.4%	14,920	10.6%	147,378	185,438	25.8%
Mitsubishi	8,138	7,887	-3.1%	8,723	-9.6%	105,950	87,605	-17.3%
Nissan	880	653	-25.8%	1,534	-57.4%	23,556	12,548	-46.7%
Suzuki	7,200	8,568	19.0%	9,288	-7.8%	111,086	83,539	-24.8%
Others	3,487	3,972	13.9%	6,762	-41.3%	78,095	65,873	-15.7%
Total	91,990	99,935	8.6%	86,979	14.9%	939,818	975,769	3.8%

Source: ASII

2W sales volume has no sign of recovery as industry demand remained flat mom at 570.9k units in Nov16 but this number is better than last year by +6.6% yoy. There was a steep jump in of +96.7% of Suzuki, which was simply a low base effect. Suzuki monthly sales remained very volatile as the company lacks of any good models. We have witness some Suzuki dealers to close down due to lack of sales. Honda sales has recovered from last year with +14.1% mom growth in Nov16 but not enough to build up positive momentum as cumulative growth was -0.2% yoy up to Nov16. Besides Honda, other brands are really suffering from lack of demand. We think this is driven by weak purchasing power and high penetration. We do not expect any significant recovery in FY17, with possible support from recovery in the commodity sector.

	16-Oct	16-Nov	% +/-	15-Nov	% +/-	11M15	11M16	% +/-
Honda	446,611	450,331	0.8%	394,726	14.1%	4,114,897	4,107,092	-0.2%
Yamaha	114,493	107,501	-6.1%	125,472	-14.3%	1,628,568	1,276,000	-21.6%
Suzuki	2,469	4,857	96.7%	7,600	-36.1%	103,745	53,314	-48.6%
Kawasaki	7,500	8,104	8.1%	7,804	3.8%	109,925	91,360	-16.9%
TVS	128	130	1.6%	80	62.5%	2,620	1,755	-33.0%
Total	571,201	570,923	0.0%	535,682	6.6%	5,959,755	5,529,521	-7.2%

Source: ASII

Mining sector: The government will set new ruling on nickel ore process in Indonesia. Smelters will have to absorb domestic nickel ore with 1.7% nickel content (low grade nickel ore) at least 50% of their processing capacity. Details about the implementation on the new ruling are not available at this stage. (Kontan)

Comment: This is Neutral for Vale Indonesia (INCO IJ; Rp3,240; Hold) which is able to process low-grade nickel ore with 1.6% nickel content but this should be positive for Aneka Tambang (ANTM IJ; Rp885; Not Rated) which holds large reserves of low-grade nickel ore on its mining deposit.

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INVESTMENT RATINGS

BUY : Expected total return of 10% or more within a 12-month period
HOLD : Expected total return between -10% and 10% within a 12-month period
SELL : Expected total return of -10% or worse within a 12-month period

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