

FROM EQUITY RESEARCH

Strategy: Less Spice

Softer food price in Aug, mainly on seasoning and poultry items, has driven a deflation of 0.05%, better than consensus expectation of 0.06% inflation. However, modest inflation pressure will not change BI's hawkish view on interest rate, in our view, and we expect another rate hike until year end. Consumer Confidence Index fell in Aug, partly due to concern on high foodstuff price. As food price has started to moderate, we expect for an improved consumer confidence in September.

To see the full version of this report, please [click here](#)

Banking: On track (Overweight)

Our monthly result tracker shows inline set of results for our banking universe in 7M18, represents 53.1% of our FY18F. Few key points: 1) lower NIM by 21bps to 6.2% mainly driven by a lower asset yields; 2) a 13.6% yoy loans growth; and 3) lower credit costs of 168bps. We still expect our banking universe to perform inline with our expectations this year. OVERWEIGHT maintained with BBRI and BBTN as our top picks due to their resilient respective business model and predictable earnings growth.

To see the full version of this report, please [click here](#)

Danareksa Research Institute: Concerns on Higher Prices Weigh on Consumer Confidence

Consumer Confidence weakened in August 2018. In this month, the Consumer Confidence Index (CCI) retreated by 4.1 percent from 101.6 to 97.5, after increasing by 4.7 percent in the previous survey. Our latest survey reveals that consumers gave more negative assessments on current economic conditions and the state of the job market. In particular, consumer concerns on high foodstuff prices and job scarcity increased in the August survey. In addition, our survey also shows that consumers are less upbeat on the nation's economic outlook.

To see the full version of this report, please [click here](#)

MARKET NEWS

Macroeconomy

- Government: Non-tax state revenue exceeds target
- Manufacture sector is strengthening

Sector

- Higher contribution from digital economy to SE Asia's GDP
- Infrastructure: KCIC received USD274.8mn from CDB last week

Corporate

- Holcim Indonesia: Booked higher loss in 1H18 of IDR539bn
- Panca Budi: Targets FY18F top line growth of 10-12% yoy

KEY INDEX

	Close	Chg (%)	Ytd (%)	Vol (US\$ m)
Asean - 5				
Indonesia	5,968	(0.8)	(6.1)	274
Thailand	1,721	(0.0)	(1.9)	1,130
Philippines	7,832	(0.3)	(8.5)	102
Malaysia	1,814	(0.3)	0.9	715
Singapore	3,207	(0.2)	(5.8)	590
Regional				
China	2,721	(0.2)	(17.7)	19,725
Hong Kong	27,713	(0.6)	(7.4)	10,063
Japan	22,707	(0.7)	(0.3)	8,646
Korea	2,303	(0.2)	(6.7)	4,966
Taiwan	10,964	(0.9)	3.0	3,593
India	38,313	(0.9)	12.5	461
NASDAQ	8,110	0.3	17.5	110,090
Dow Jones	25,965	(0.1)	5.0	12,650

CURRENCY AND INTEREST RATE

		Rate	w-w (%)	m-m (%)	ytd (%)
Rupiah	Rp/1US\$	14,815	(1.3)	(2.2)	(9.3)
SBI rate	%	5.50	0.3	0.3	1.3
10y Gov	Indo bond	8.31	0.4	0.5	2.0

HARD COMMODITY

	Unit	Price	d-d (%)	m-m (%)	ytd (%)
Coal	US\$/ton	116	0.9	(1.0)	15.3
Gold	US\$/toz	1,201	(0.0)	(1.0)	(7.8)
Nickel	US\$/mt.ton	12,698	(0.1)	(5.6)	(0.1)
Tin	US\$/mt.ton	18,895	(0.8)	(4.0)	(6.0)

SOFT COMMODITY

	Unit	Price	d-d (%)	m-m (%)	ytd (%)
Cocoa	US\$/mt.ton	2,281	1.9	4.7	20.1
Corn	US\$/mt.ton	119	3.8	(10.1)	(4.7)
Oil (WTI)	US\$/barrel	70	0.4	2.4	16.0
Oil (Brent)	US\$/barrel	78	0.7	6.7	16.9
Palm oil	MYR/mt.ton	2,179	0.1	1.1	(8.8)
Rubber	US\$/kg	132	(1.3)	0.2	(10.3)
Pulp	US\$/tonne	1,205	N/A	2.8	20.5
Coffee	US\$/60kgbag	75	(1.1)	0.8	(10.1)
Sugar	US\$/MT	328	0.6	1.1	(16.9)
Wheat	US\$/ton	148	2.0	(4.8)	13.2
Soy Oil	US\$/lb	28	0.3	(1.3)	(14.2)
Soy Bean	US\$/by	833	1.6	(7.8)	(12.5)

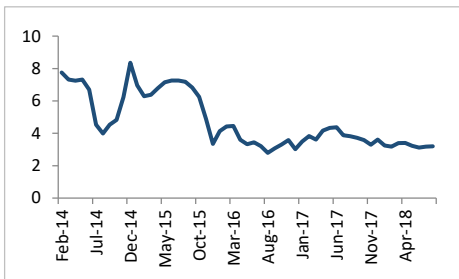
Source: Bloomberg

Tuesday, 04 September 2018

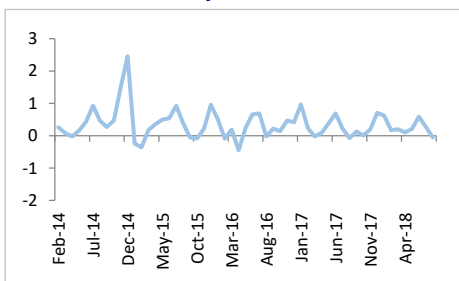
Strategy

Less Spice

Inflation - annual



Inflation - monthly



Inflation by sector - August

Expenditure group	Contribution
General	-0.05
Food	-0.24
Processed food and Cigarettes	0.06
Housing, utilities and fuel	0.06
Clothing	0
Healthcare	0.01
Education	0.08
Transport, communication and financial service	-0.02

Food inflation by sub sector - August

Expenditure Group	Contribution
Eggs	-0.06
Red onion	-0.05
Poultry, spinach, chilli	-0.02
Fish and other vegetables	-0.01
Others	-0.1

Softer food price in Aug, mainly on seasoning and poultry items, has driven a deflation of 0.05%, better than consensus expectation of 0.06% inflation. However, modest inflation pressure will not change BI's hawkish view on interest rate, in our view, and we expect another rate hike until year end. Consumer Confidence Index fell in Aug, partly due to concern on high foodstuff price. As food price has started to moderate, we expect for an improved consumer confidence in September.

Deflation on Lower Food Price. Pressure on inflation remains modest, despite continue weakness on IDR. Aug recorded deflation of -0.05% m-m, mainly driven by lower food price, clothing and transport, communication and financial services items. Deflation in Aug was slightly ahead of our and consensus expectation of 0.04% - 0.06% inflation, especially with Idul Adha event. Annual inflation remains stable at 3.2%, and we believe inflation outlook to remain modest, especially with government's commitment toward maintaining fuel and electricity prices.

Decline in seasoning price on harvest season. Rising food price was the main reason for higher inflation in the previous month (July), specifically on rising egg and poultry price. In Aug, prices on those items started to decline, registered deflation of 0.02% – 0.06% m-m. Within food segment, almost all items posted deflation, except for rice (+0.02%) and preserved fish (+0.33%). The biggest decline on food items was on seasoning (-4.67%), mainly attributed by lower red chilli and shallot price as it entered harvest season in July/ Aug.

Education, recreation and sport sector registered the highest inflation in August of 1.03%, which we believe partly driven by higher-education (university) component, and this might continue until Sept. However, the pressure to overall inflation will be less, as higher-education weighting in inflation of 1.6% is lower than the combine of primary and secondary education weighting of 2.43%, which usually peaked in July/Aug.

BI's hawkish stance to continues, despite modest inflation pressure. While inflation pressure remains benign, it won't change Bank Indonesia (BI) hawkish stance toward higher interest rate policy. We expect BI to continue to adhere to its previous stance that is pre-emptive, front loading and ahead of the curve, and focusing its macro prudential policy toward ST measure on currency stabilisation. Our economist expects for another rate hike this year. As highlighted in our previous report: *Policy Panacea (16 Aug 2018)*, BI's policy rate is an integral of the overall policy to combat CAD and currency volatility, whereby the government and central bank have made a synchronized move to address to current issues.

Consumer Confidence dropped, partly on high foodstuff price concern. In contrast to lower food price in Aug, the recent Consumer Confidence survey by Danareksa Research Institute (DRI) showed a decline in index by 4.1 percent from 101.6 to 97.5, as consumers gave more negative assessments on current economic conditions and the state of the job market. In particular, consumer concerns on high foodstuff prices and job scarcity increased in the August survey. In addition, our survey also shows that consumers are less upbeat on the nation's economic outlook. We believe the timing of Consumer Confidence survey in early Aug might depict different view, as food price was only starting to go down later in Aug. As such, with actual lower inflation, especially on food price, there could be a reversal in consumer confidence in Sep, in our view.



Helmy Kristanto

(62-21) 2955 5888

helmy.kristanto@danareksa.co.id

Tuesday, 04 September 2018

OVERWEIGHT

Maintain

Banking

On track

BBRI relative to JCI Index



BBTN relative to JCI Index



Source : Bloomberg



Eka Savitri

(62-21) 2955 5888 ext 3506

eka.savitri@danareksa.co.id

Our monthly result tracker shows inline set of results for our banking universe in 7M18, represents 53.1% of our FY18F. Few key points: 1) lower NIM by 21bps to 6.2% mainly driven by a lower asset yields; 2) a 13.6% yoy loans growth; and 3) lower credit costs of 168bps. We still expect our banking universe to perform inline with our expectations this year. **OVERWEIGHT** maintained with BBRI and BBTN as our top picks due to their resilient respective business model and predictable earnings growth.

Contracted NIM and lower credit costs. The net profits of IDR56.6tn (bank only) are inline with our forecast as the last year's 7M figures was 53.5% of the full year results. NIM dipped by c.21ps on a yoy basis to 6.2% thanks to a lower assets yield of 8.9% based on our calculation. The credit cost, in addition, declined to 168bps from 207bps in 7M17. All in, we maintain our forecast of a 15.0% net profits growth in FY18F for our banking universe.

Decent balance sheet figures. Gross loans still showed solid growth of 13.6% yoy as of July 2018, mainly driven by BBRI and BBTN with 16.5% and 19.6% respective growth figure. Meanwhile, customer deposits grew by 9.8% yoy supported by a 12.5% yoy growth in CASA deposits as of July 2018. Interestingly, borrowings jumped by 40.4% yoy. This should be an indication that banks are shifting their funding strategy more towards instruments with longer maturity profile to secure their liquidity position amid current interest rate environment.

2019: Big banks are the safe bet. This year, we do not expect any major hiccup in our banking universe as the set of results remain on track with our expectation. We expect a 15% yoy net profit growth for our banking universe supported by lower credit costs of 155bps and 12.3% yoy loans growth. While next year, big banks are the safe options amid aggressive policy rate hike supported by their strong CASA deposits and higher flexibility to pick good quality borrowers. Additionally, NIM would slightly fall by 7bps in our model to 6.1% in FY19F. Our sensitivity analysis also suggest every 10bps hike in credit cost would lower net profit by 2%.

OVERWEIGHT: BBRI, BBTN are our top picks. We maintain our overweight call on the sector with BBRI and BBTN as our top picks due to their resilient core business model and predictable earnings growth. We expect our banking universe would still perform well this year. Looking into next year, downside risks are NIM compression, slower than expected GDP growth that can impact to lower loans growth and pick up in gross NPLs ratio.

Company	Ticker	Rec	Target	Market	P/E (x)		P/BV (x)		ROE (%)
			Price (Rp)	Cap. (RpBn)	2018F	2019F	2018F	2019F	2019F
Bank Rakyat Indonesia	BBRI IJ	BUY	4,350	391,006.2	11.9	10.1	2.1	1.8	19.3
Bank Tabungan Negara	BBTN IJ	BUY	3,500	29,122.5	8.3	7.7	1.2	1.1	14.6
BNI	BBNI IJ	BUY	10,400	146,392.0	9.4	8.1	1.3	1.2	15.2
Mandiri	BMRI IJ	BUY	8,500	312,666.7	12.8	11.0	1.7	1.6	14.8
BTPN Syariah	BTPS IJ	BUY	2,100	12,557.0	13.9	10.7	3.2	2.7	27.3
BPD Jatim	BJTM IJ	BUY	830	9,714.3	7.7	7.2	1.2	1.1	15.5
BTPN	BTPN IJ	HOLD	3,900	22,980.4	13.3	11.4	1.3	1.2	10.9
BCA	BBCA IJ	HOLD	22,700	618,006.9	23.3	20.4	4.0	3.4	18.0

September 2018

Concerns on Higher Prices Weigh on Consumer Confidence

- **Consumer Confidence weakened in August 2018.** In this month, the Consumer Confidence Index (CCI) retreated by 4.1 percent from 101.6 to 97.5, after increasing by 4.7 percent in the previous survey. Our latest survey reveals that consumers gave more negative assessments on current economic conditions and the state of the job market. In particular, consumer concerns on high foodstuff prices and job scarcity increased in the August survey. In addition, our survey also shows that consumers are less upbeat on the nation's economic outlook.
- **The two main components which make up the CCI declined in August:** the component measuring consumer sentiment toward current conditions, the Present Situations Index (PSI), retreated 5.5 percent to 81.0, as sentiment toward the current state of the economy and the job market deteriorated. The other main component of the CCI - the one measuring consumer sentiment toward the future (the Expectations Index or EI) – also decreased, falling by 3.3 percent to 109.9. The fall in this index reflects weaker consumer optimism toward the economy and the job market outlook over the next six months.
- **With consumers being less upbeat on the national economic outlook, buying intentions for durable goods declined in August.** In our survey, 41.13 percent of consumers expressed plans to purchase a durable good over the next six months, or down from 41.36 percent in the previous month. Furthermore, on a yearly comparison, buying intentions for durable goods are also lower since 42.34 percent of consumers expressed plans to purchase a durable good back in August 2017.
- **Consumer confidence in the government's ability to carry out its duties weakened in the August survey.** After increasing 2.9% in the previous survey, the Consumer Confidence in the Government Index (CCGI) declined 3.3% to 105.1 in August. All components of the CCGI declined in our latest survey. Nevertheless, four CCGI components are still above the neutral level of 100, thereby indicating that consumers are generally convinced in the government's ability to carry out its duties.

ASTI SUWARNI

Analyst

(62-21) 29555777/ 888 ext 3608

asti@danareksa.com

MARTIN JENKINS

Analyst

(62-21) 29555777/ 888 ext 3609

martin@danareksa.com

MARKET NEWS

MACROECONOMY

Government: Non-tax state revenue exceeds target

In August government has recorded non tax state revenue of IDR 239.6tn or 87.1% of the target stated in 2018 state budget. This realization is mainly supported by mineral resources revenue, especially from crude oil which has reached 92.3% by the end of August 2018. (Bisnis Indonesia)

Manufacture sector is strengthening

PMI index in August increased to 51.9 from 50.5. Domestic demand is still being the main driver of such increase. The demand is also supported by increasing employment level. Thus the manufacture activity is increasing to fulfill the demand. The survey also shows that the hiring level is increasing. However, it is seen that the demand from export is declining due to weakening of global economy. The input cost is becoming a challenge for manufacturing industry due to weakening of Rupiah. (Bisnis Indonesia)

SECTOR

Higher contribution from digital economy to SE Asia's GDP

SE Asia can add as much as \$1 tn to its economy by 2025 through higher trade and growth from e-commerce and other digital opportunities for businesses, according to Bain & Co. There's huge potential in the ASEAN, where the digital economy currently accounts for just 7% of GDP, compared with 16% in China, 27% in Europe and 35% in the U.S. Asean governments should improve digital payments domestically and regionally and adopt a uniform approach to data protection. It identified manufacturing, agriculture, retail, transport and logistics, and information and communication technology that will benefit significantly from digital integration. Bain calculated the potential increase in GDP by taking into account productivity improvements, access to new markets through e-commerce or financial inclusion and growth of enabling sectors like ICT and logistics. (Bloomberg)

Infrastructure: KCIC received USD274.8mn from CDB last week

KCIC received the second tranche of loan disbursement from China Development Bank (CDB) last week with amount of USD274.8mn or IDR3.9tn. KCIC is a consortium which owned Jakarta – Bandung high speed train (HST) project. Around 60% of the funds, around USD165.2mn, will be used for the payment to EPC contractors. The consortium received the first loan disbursement in Apr18 worth USD170mn. (Bisnis Indonesia)

CORPORATE

Holcim Indonesia: Booked higher loss in 1H18 of IDR539bn

Holcim Indonesia (SMCB) booked net loss of IDR539bn in 1H18. The net loss was higher than previous year of IDR436bn in 1H17 due to higher production costs. The higher production cost was reflected in lower gross margin (1H18:12.1% vs. 1H17: 14.5%). Meanwhile, revenues increased slightly by +3.8%yoy at IDR4.5tn (6M17: IDR4.3tn).

Panca Budi: Targets FY18F top line growth of 10-12% yoy

Panca Budi Idaman (PBID) will commence its expansion by developing two new factories by end of this year with total investment of IDR100bn. Recently, the company acquired a new factory in Johor, Malaysia with total investment of IDR40-50bn. This year, the company targets FY18 top line growth of 10-12% yoy. At present, the company controls around 50% market share of plastic bag market in Jakarta and Greater Jakarta area. (Investor Daily)

COVERAGE PERFORMANCE

LEADERS

	Code	Price as on				Chg, %	w-w, %	m-m, %	YTD, %	Rating
		03-Sep-18	31-Aug-18							
Ramayana	RALS	1,305	1,270	2.8	4.4	(1.1)	8.7	HOLD		
Japfa Comfeed	JPFA	2,230	2,200	1.4	3.7	5.7	71.5	BUY		
Sampoerna Agro	SGRO	2,320	2,290	1.3	(1.7)	(1.7)	(9.7)	HOLD		
Bukit Asam	PTBA	4,100	4,050	1.2	1.0	(8.9)	66.7	BUY		
Charoen Pokphand	CPIN	5,025	4,980	0.9	1.9	6.7	67.5	HOLD		
Bank Negara Indonesia	BBNI	7,850	7,800	0.6	2.3	(0.6)	(20.7)	BUY		
Mitra Adi Perkasa	MAPI	840	835	0.6	3.7	(2.3)	35.5	BUY		
Ace Hardware	ACES	1,365	1,360	0.4	1.1	(0.4)	18.2	BUY		
Indofood CBP	ICBP	8,700	8,675	0.3	(1.1)	(0.9)	(2.2)	BUY		
Bank Tabungan Negara	BBTN	2,750	2,750	-	(0.7)	12.2	(23.0)	BUY		

Sources: Bloomberg

LAGGARDS

	Code	Price as on				Chg, %	w-w, %	m-m, %	YTD, %	Rating
		03-Sep-18	31-Aug-18							
Vale Indonesia	INCO	3,560	3,800	(6.3)	(8.7)	(14.2)	23.2	BUY		
Aneka Tambang	ANTM	830	870	(4.6)	(7.3)	(7.8)	32.8	HOLD		
Indocement	INTP	16,950	17,725	(4.4)	(3.1)	14.5	(22.8)	SELL		
Semen Baturaja	SMBR	2,650	2,770	(4.3)	(7.7)	(13.1)	(30.3)	SELL		
Malindo Feedmill	MAIN	1,295	1,350	(4.1)	(7.2)	27.0	75.0	HOLD		
Bekasi Fajar	BEST	202	210	(3.8)	(9.8)	(13.7)	(19.2)	BUY		
Puradelta Lestari	DMAS	128	133	(3.8)	(12.3)	1.6	(25.1)	BUY		
PP London Sumatra	LSIP	1,350	1,395	(3.2)	(1.8)	11.6	(4.9)	BUY		
BPD Jatim	BJTM	650	670	(3.0)	0.8	2.4	(8.5)	BUY		
Bank Mandiri	BMRI	6,700	6,900	(2.9)	(3.9)	(6.9)	(16.3)	BUY		

Sources: Bloomberg

PREVIOUS REPORTS

- Plantation: Time for a Rerating, London Sumatra: The Cleanest One of All, Astra Agro Lestari: Focusing on Costs and Replanting, Sampoerna Agro: Second-Tier Choice, Timah: 2Q18: Boosted by strong sales volume [SnapShot20180903](#)
- Gudang Garam: Higher ASP boost performance [SnapShot20180831](#)
- Danareksa Research Institute: Inflation Outlook – Milder [SnapShot20180829](#)
- Plantation: Impact of the Full Implementation of B20, Indofood Sukses Makmur: Go with the grain, Danareksa Research Institute: Monetary Watch – Further Tightening [SnapShot20180828](#)
- Bank Rakyat Indonesia: A further boost from the KUR program, Erajaya Swasembada: Where is the company headed? [SnapShot20180827](#)

PT Danareksa Sekuritas

Jl. Medan Merdeka Selatan No. 14
Jakarta 10110
Indonesia
Tel (62 21) 29 555 888
Fax (62 21) 350 1709

Equity Research Team

Helmy Kristanto

helmy.kristanto@danareksa.co.id
(62-21) 2955 888 ext. 3500
Head of Research, Strategy

Stefanus Darmagiri

stefanus.darmagiri@danareksa.co.id
(62-21) 2955 888 ext. 3530
Auto, Coal, Heavy Equip, Metal

Natalia Sutanto

natalia.sutanto@danareksa.com
(62-21) 29555 888 ext.3508
Consumer, Tobacco, Property

Maria Renata

maria.renata@danareksa.co.id
(62-21) 29555 888 ext.3513
Construction

Eka Savitri

Eka.savitri@danareksa.co.id
(62-21) 29555 888 ext.3506
Banking

Niko Margaronis

niko.margaronis@danareksa.co.id
(62-21) 29555 888 ext.3512
Telco, Tower

Yudha Gautama

Yudha.gautama@danareksa.co.id
(62-21) 29555 888 ext.3509
Plantation, Property

Adeline Solaiman

adeline.solaiman@danareksa.co.id
(62-21) 2955 888 ext. 3503
Media, Retail, Poultry

Ignatius Teguh Prayoga

ignatius.prayoga@danareksa.co.id
(62-21) 29555 888 ext.3511
Research Associate

Sales team

Vera Ongyono

vera.ongyono@danareksa.co.id
(62-21) 29555 888 ext. 3120

Novrita E. Putrianti

novrita@danareksa.co.id
(62-21) 29555 888 ext. 3128

Ehrlich Suhartono

ehrliech@danareksa.co.id
(62-21) 29555 888 ext. 3132

Laksmi Armandani

laksmiataa@danareksa.co.id
(62-21) 29555 888 ext. 3125

Tuty Sutopo

tuty@danareksa.co.id
(62-21) 29555 888 ext. 3121

Upik Yuzarni

upik_y@danareksa.co.id
(62-21) 29555 888 ext. 3137

Giovan Sitepu

giovanp@danareksa.co.id
(62-21) 29555 888 ext. 3130

Rendy Ben Philips

rendy.philips@danareksa.co.id
(62-21) 29555 888 ext. 3148

Thalia Kadharusman

thalia.kadharusman@danareksa.co.id
(62-21) 29555 888 ext. 3124

Disclaimer

The information contained in this report has been taken from sources which we deem reliable. However, none of P.T. Danareksa Sekuritas and/or its affiliated companies and/or their respective employees and/or agents makes any representation or warranty (express or implied) or accepts any responsibility or liability as to, or in relation to, the accuracy or completeness of the information and opinions contained in this report or as to any information contained in this report or any other such information or opinions remaining unchanged after the issue thereof.

We expressly disclaim any responsibility or liability (express or implied) of P.T. Danareksa Sekuritas, its affiliated companies and their respective employees and agents whatsoever and howsoever arising (including, without limitation for any claims, proceedings, action, suits, losses, expenses, damages or costs) which may be brought against or suffered by any person as a result of acting in reliance upon the whole or any part of the contents of this report and neither P.T. Danareksa Sekuritas, its affiliated companies or their respective employees or agents accepts liability for any errors, omissions or misstatements, negligent or otherwise, in the report and any liability in respect of the report or any inaccuracy therein or omission therefrom which might otherwise arise is hereby expressly disclaimed.

The information contained in this report is not to be taken as any recommendation made by P.T. Danareksa Sekuritas or any other person to enter into any agreement with regard to any investment mentioned in this document. This report is prepared for general circulation. It does not have regard to the specific person who may receive this report. In considering any investments you should make your own independent assessment and seek your own professional financial and legal advice.