

Market Strategy

2Q25: Navigating Through Uncertainty

- While the JCI offers a compelling entry point with attractive valuations, we see continued volatility in 2Q25 due to global and domestic uncertainties. Indonesia's 2025 outlook is clouded by the US tariffs, softer domestic demand, and delayed fiscal programmes, prompting a GDP downgrade to 4.5%. While trade exposure to the US is limited, second-round effects pose risks. Earnings forecasts have been cut, but the JCI remains undervalued. We stay OVERWEIGHT on banks, plantation, and poultry, while gold proxies are appealing. The JCI is trading at an attractive 9.5x rolling forward P/E (-2SD from its 5-year mean), with stable ROEs (14.4-14.6%) and yields (c.6.1%).
- Indonesia faces growing economic uncertainty in 2025, largely due to the imposition of a 32% reciprocal tariff by the US on exports such as footwear, textiles, and electronics. While strategic goods like copper and pharmaceuticals are exempted, the tariffs have triggered concerns of global trade instability. The Government has responded by negotiating with the US and implementing policy measures including import tax cuts and streamlined customs processes to reduce the effective tariff. While Indonesia's direct exposure to the US is limited (net exports at c.1.78% of GDP), second-round effects could still impact broader trade performance.
- As a result of weakening external demand, soft domestic consumption, and delayed fiscal programmes, we revise down GDP growth to 4.5% for 2025 (from 5.2%), with a worst-case scenario of 3.0-3.5%. Retail weakness during the Lebaran season reflects a shift in consumer behaviour towards essentials. Fiscal support is still underwhelming due to slow disbursement of social spending. Inflation forecasts are stable at 2% headline and 2.4% core, while Bank Indonesia (BI) is expected to cut rates by 75 bps in 2025, although this could be delayed due to external risks.
- Earnings outlook for JCI has softened. FY25-26 earnings growth is now forecast at 3.2% and 8.3% (from 8.0% and 8.4%), with notable downgrades in banking, infrastructure, basic materials, and consumer cyclicals. Nonetheless, the JCI is trading at a deeply discounted 9.5x P/E (-2SD), suggesting potential for recovery if sentiment improves. Valuations are attractive, with stable ROEs (14.4-14.6%) and yields (c.6.1%).
- Appointment of professionals to lead Danantara has eased investor concerns on governance. Although foreign ownership in the JCI hit a record low, there are early signs of recovery, especially in Bank Rakyat Indonesia (BBRI), Bank Central Asia (BBCA), and Bank Negara Indonesia (BBNI). Restoring confidence will require policy clarity and macro stabilisation.
- We remain O/W on banks, plantation, poultry, and gold proxies, and select value and dividend plays offering both income and upside potential in a cautious macro environment. Oversold counters with solid long-term outlooks are also attractive (see page 22 for our Top 10 Picks).

Stocks Covered 78
Rating (Buy/Neutral/Sell): 52 / 24 / 2
Last 12m Earnings Revision Trend: Downtrend

Sector

OVERWEIGHT

Banks	BRIS, BBKA, BBRI, BBNI
Plantation	LSIP
Property – residential developer	PWON
Telco	EXCL
Poultry	JPFA CPIN

Top Picks

NEUTRAL

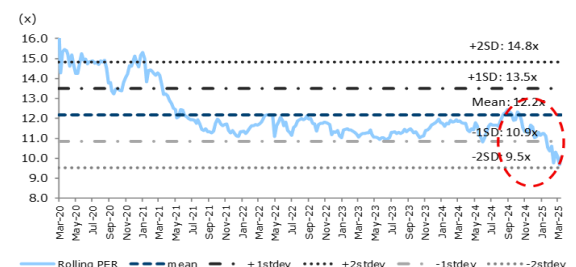
Auto	AUTO
Coal	UNTR, PTBA
Consumer	INDF, AMRT
Cement	INTP
Healthcare	HEAL
IT Solution	MSTI
Metal mining	ANTM
Oil & gas	AKRA
Pulp & paper	INKP
Property – industrial estates	SSIA
Tobacco	HMSP

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The JCI's 12-month forward-rolling P/E band



Source: Bloomberg, RHB

Company Name	Rating	Target (IDR)	% Upside (Downside)	P/E (x) Dec-24F	P/B (x) Dec-24F	ROAE (%) Dec-24F	Yield (%) Dec-24F
AKR Corporindo	Buy	1,500	42.9	9.5	1.9	19.8	9.4
Aneka Tambang	Buy	2,160	11.1	15.1	1.6	12.2	6.6
Astra Otoparts	Buy	2,800	39.3	6.0	0.7	12.0	5.2
Bank Central Asia	Buy	11,680	37.4	19.1	4.0	21.7	3.5
Bank Negara Indonesia	Buy	5,200	28.7	7.0	0.9	13.9	9.3
Bank Rakyat Indonesia	Buy	4,600	26.4	9.0	1.7	19.1	8.7
Indofood Sukses	Buy	9,150	25.3	5.6	1.0	15.5	4.5
Mastersystem Infotama	Buy	1,800	26.8	8.7	2.1	25.2	7.0
PP London Sumatra Indonesia	Buy	1,530	36.0	4.5	0.6	12.5	3.5
Sumber Alfaria Trijaya	Buy	3,800	93.9	27.9	4.8	25.0	-

Source: Company data, RHB

Contents

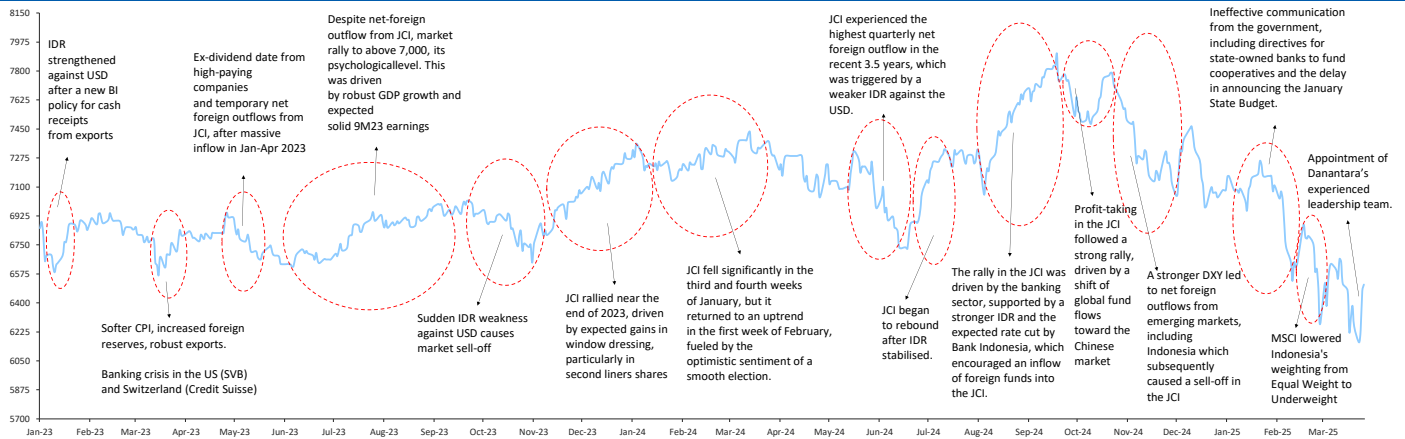
JCI 1Q25 Review	3
JCI faces selling pressure amid global uncertainty and policy risks	3
1Q25 Foreign fund flows: Raising risk aversion	3
2Q25 Outlook: Navigating Through Uncertainty	7
Global uncertainty surrounding US tariffs	7
Lowered GDP and JCI growth outlook	8
Danantara leadership eases investor concerns	8
Foreign ownership is now below the pandemic level	9
Market strategy & outlook summary	10
Market Strategy	12
Base-case year-end 2025 JCI target at 7,000	12
Sector preference and Top Picks	15
Sector highlights and outlook	17
Our Top 10 Picks	22
Navigating uncertainty with high yields counters	24
Oversold counters but fundamentally strong	25
Economics	26
Disappointing retail sales and external risk weigh on growth	26
Key Risks	29
Trump 2.0 policies ignite stagflation fears	29
Trump 2.0 policies destabilise established post-WW2 order	29
Slower-than-expected global growth	29
Slower-than-expected China economic recovery	29
Worsening US-China ties	29
Middle East tensions and oil price volatility	29
Indonesia: Political and policy risks	29
Indonesia: Weakening domestic demand	30
Appendix	31
Economic data and estimates	31
Indonesia Research coverage and peers' comparison	33

JCI 1Q25 Review

JCI faces selling pressure amid global uncertainty and policy risks

The JCI faced considerable headwinds due to heightened global financial market volatility, evolving policy landscapes, and shifting capital flows. Although there were brief periods of recovery – notably a strong rally in 3Q24 – persistent selling pressure throughout late 2024 and into early 2025 reflects a challenging outlook for the market.

Figure 1: JCI trends – selling pressure from 4Q24 persists into 1Q25



Source: Company data, RHB

Towards the end of 2024, profit-taking activities, combined with a global reallocation of funds toward Chinese markets, triggered a wave of selling. Investor sentiment was further dampened by the Government's lack of clear communication, particularly regarding the role of state-owned banks in cooperative financing schemes and the delayed announcement of the January State Budget.

Adding to the pressure, Morgan Morgan Stanley Capital International's (MSCI) downgrade of Indonesia's equity market from Equal Weight to Underweight led to increased capital outflows, exacerbating the market's downward momentum into 1Q25.

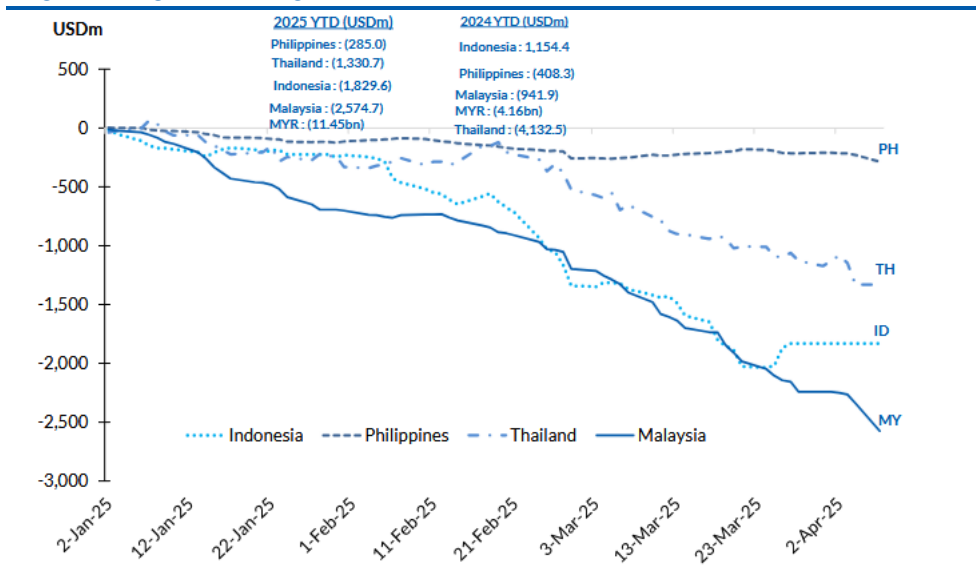
Multiple factors contributed to this sell-off, including macroeconomic concerns, foreign capital movements, and domestic policy uncertainty. However, by the final week of March, a shift in sentiment emerged. Foreign investors returned to key banking stocks – Bank Mandiri (BMRI IJ, BUY, TP: IDR5,880), BBRI, BBKA, and BBNI – driven by attractive dividend yields and share buyback initiatives. Market confidence also received a boost from the appointment of Danantara's experienced leadership team, signalling stronger corporate governance ahead.

1Q25 foreign fund flows: Raising risk aversion

Foreign portfolio outflows from ASEAN countries began around Oct 2024, as global investors rotated back into US equities in anticipation of more growth-oriented domestic policies under the Trump administration. Despite the S&P 500 peaking on 19 Feb, markets were soon shaken by the US Government's erratic approach to trade and foreign policy, raising concerns over its inflationary impact and broader economic implications. Anecdotal signs also point to a continued shift in foreign fund allocations from ASEAN to North Asia, suggesting sustained net selling pressure on ASEAN equities in the near term.

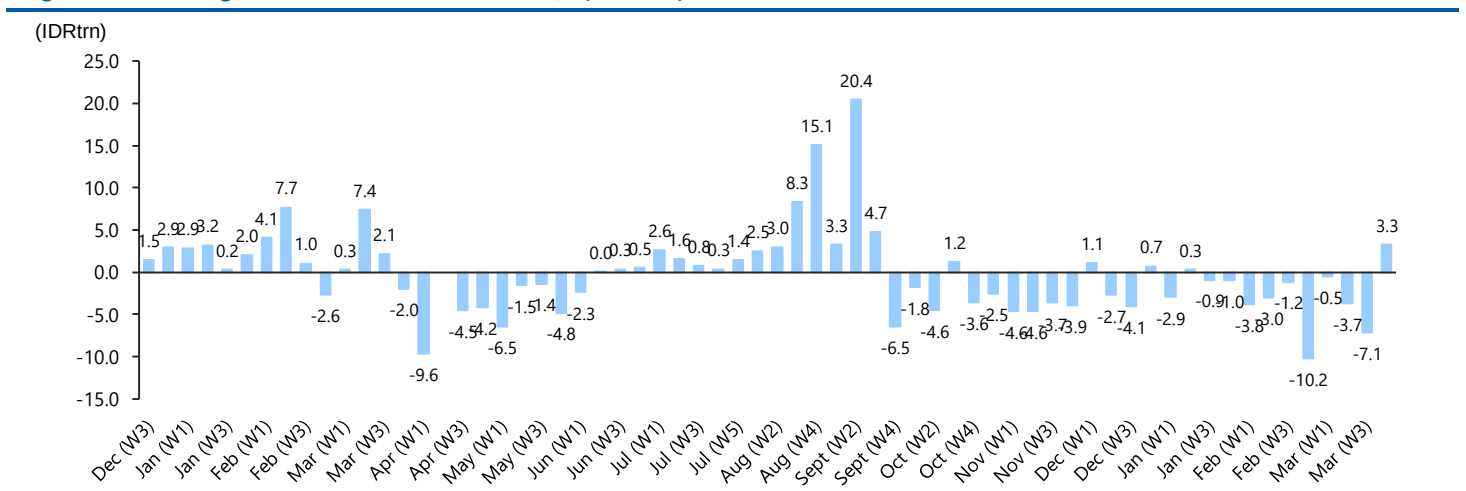
By 9 Apr 2025, all four major ASEAN markets had registered net foreign outflows, with Indonesia seeing the second-largest withdrawal at USD1.83bn. This marks a sharp turnaround from the same period in 2024, when Indonesia led the region with USD1.15bn in net inflows. The reversal underscores a clear deterioration in foreign investor sentiment across the region in 2025.

Figure 2: Regional – foreign equity flows 2025 YTD



Source: Bloomberg, RHB

Figure 3: Net foreign fund flow: 2024 to Mar 2025, a year of ups and downs in Indonesia



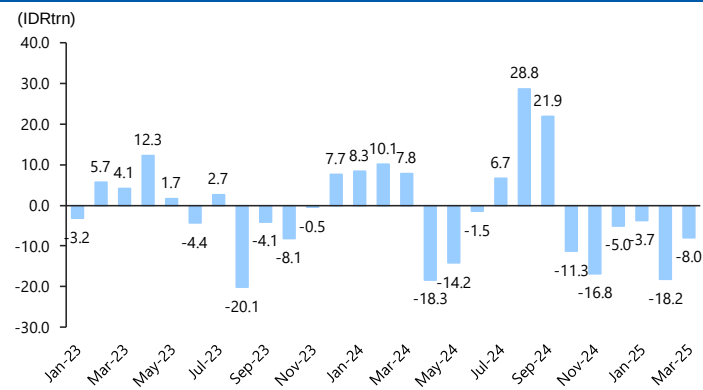
Source: Bloomberg, RHB

The positive trend in foreign fund inflows during mid-2024 saw a sharp reversal toward the end of 2024 and into early 2025. Since Oct 2024, foreign investors have consistently been net sellers, with significant outflows of IDR18.2trn in Feb 2025 and IDR8trn in Mar 2025. This recent wave of selling mirrors broader regional patterns and suggests rising investor caution, likely driven by political uncertainty, shifts in US policy, and changing global risk appetite. Overall, the data indicates growing foreign investor risk aversion towards Indonesian equities as 2025 begins.

23 April 2025

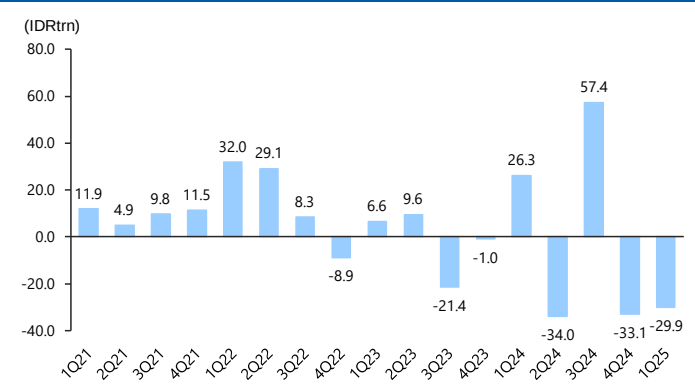
Market Outlook | Market Strategy

Figure 4: Net foreign inflows/outflows – monthly



Source: Bloomberg, RHB

Figure 5: Net foreign inflows/outflows – quarterly

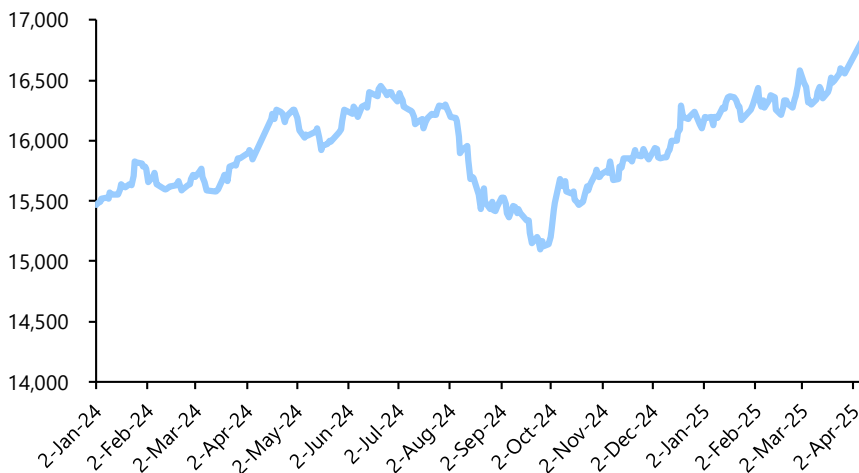


Source: Bloomberg, RHB

The IDR experienced significant fluctuations, influenced by global economic conditions, domestic political shifts, and changing expectations around monetary policy. The recent sharp decline in value highlights mounting pressure on the currency, driven by capital outflows and weakening local sentiment.

From Jan 2024 to Apr 2025, the IDR's movement against the USD shows a clear pattern. The IDR initially depreciated, climbing from c.IDR15,500 in Jan 2024 to a peak of approximately IDR16,500-16,700 by mid-year. A notable rebound followed between Aug and Nov 2024, when the currency strengthened to below IDR15,000. However, from late 2024 into 2025, the IDR resumed its downward trajectory, with continued depreciation through Apr 2025, nearing IDR17,000 per USD.

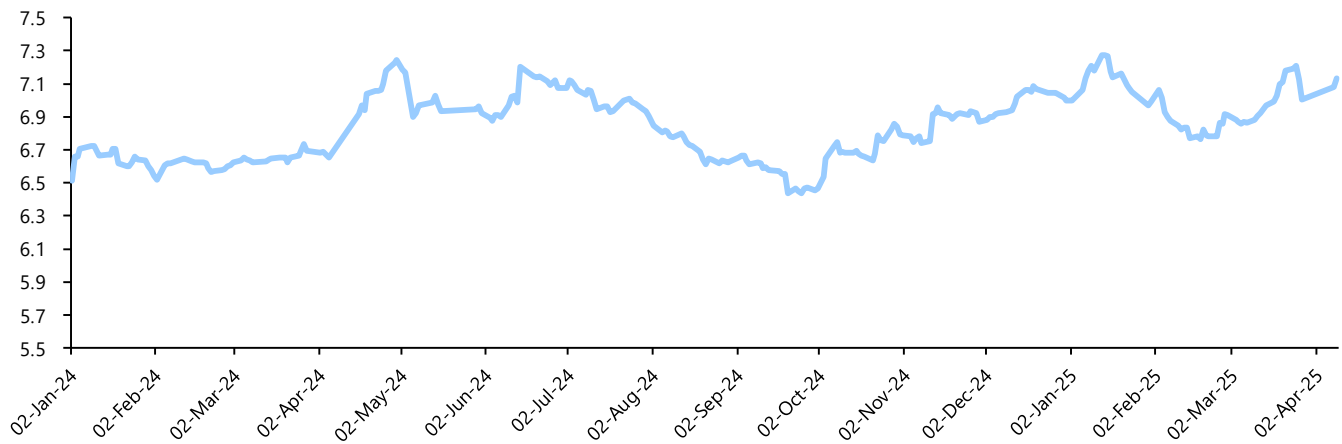
Figure 6: IDR against USD currency movement



Source: Bloomberg, RHB

For Indonesia's 10-year government bond yields from Nov 2024 onward, yields gradually increased, hitting c.7.1% by Apr 2025. This resurgence implies renewed pressure in the bond market, possibly linked to macroeconomic uncertainties, a weakening IDR (Figure 6), or expectations of tighter global financial conditions. Overall, the chart (Figure 7) indicates a volatile bond market reflecting changing investor confidence and macroeconomic dynamics throughout the period.

Figure 7: Indonesian 10-year government bonds' yield movement



Source: Bloomberg, RHB

2Q25 Outlook: Navigating Through Uncertainty

Global uncertainty surrounding US tariffs

The US has imposed a reciprocal trade tariff of 32% on Indonesian exports. Key products affected include textile, palm oil, electronic appliance, and communication equipment. Notably, the new tariffs exclude certain goods – eg steel, aluminium, automobiles, and auto parts – which remain at the previously announced 25% tariff effective Mar 2025. Strategic products like copper, semiconductors, wood products, and pharmaceuticals are also exempted from the new tariffs.

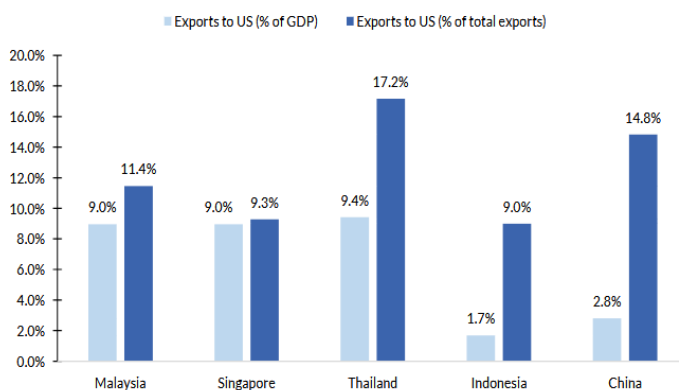
The situation remains fluid, and shifts in US trade policy, particularly under President Donald Trump's leadership, could occur at any time. The Government is preparing to enter negotiations with the US, following the above reciprocal tariff. A key proposal from Indonesia will be the relaxation of local content (TKDN) requirements, specifically for ICT products. Beyond TKDN, Indonesia is also reviewing other potential policy adjustments, including import tariffs on US goods like wheat.

In response to the 32% reciprocal tariff imposed by the US, the Ministry of Finance has rolled out a series of measures designed to ease the pressure on domestic businesses, aiming to cut the effective tariff burden by c.14 percentage points.

- i. **Tax and customs reform:** Streamlining administrative procedures in taxation and customs is expected to reduce business costs by 2%, lowering the initial impact from 32% to 30%;
- ii. **Lower import income tax:** The Government intends to cut the import income tax (PPh) from 2.5% to 0.5%, easing the burden by an additional 2% and bringing the total impact down to 28%;
- iii. **Revised import duties:** Import tariffs, previously set at 5–10%, will be adjusted to a range of 0–5%, depending on the product type;
- iv. **CPO export duty reduction:** The export tax on CPO will also be reduced – expected to lessen business costs by a further 5%.

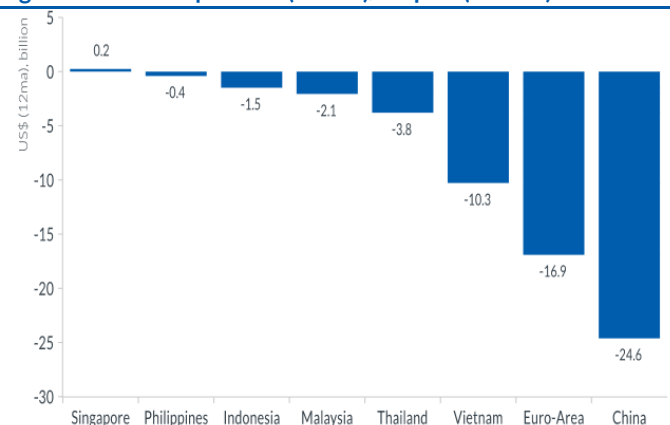
Collectively, these initiatives are projected to reduce the overall burden on businesses by 14%. This means the net impact of the 32% US tariff could effectively be brought down to just 18%.

Figure 8: The US is a key trading partner with ASEAN



Source: Various media

Figure 9: US trade position (deficit)/surplus (USDbn)



Source: RHB, Trading Economics

Although international trade contributes c.4% to Indonesia's GDP – with exports and imports making up roughly 24% and 19% – the US remains Indonesia's second-largest export partner. Net exports to the US account for an estimated 1.78% of GDP, suggesting the direct impact may be limited. Nevertheless, we remain concerned about broader second round effects, particularly if a slowdown in US imports and weaker Chinese output further dampen global trade activities.

Lowered GDP and JCI growth outlook

We revised Indonesia's 2025 GDP growth forecast downward to 4.5% from 5.2%, citing rising downside risks, especially if global trade tensions escalate. Under a worst-case scenario involving intensified US-China tariff conflicts, growth could fall to 3-3.5%. Key headwinds include weak external demand due to US tariffs, soft domestic retail sales, and delayed implementation of consumption-based government programmes. Retail data from the *Lebaran* season showed a 5-8% drop in fast-moving consumer goods (FMCG) volumes, reflecting cautious consumer behaviour and a preference for essentials. Meanwhile, sluggish disbursement of government spending, especially from the free meal programme (MBG), is expected to further drag on fiscal-driven growth momentum.

Despite the weaker growth outlook, we maintain a stable inflation forecast for 2025 at 2% (headline) and 2.4% (core), supported by low food price risks and policy-induced deflationary trends. We see BI implementing three 25bps rate cuts in 2025, although external uncertainties may delay this until 3Q25. The fiscal deficit is estimated at 2.7% of GDP – slightly above the Government's 2.53% target, with early signs of revenue recovery seen in March. However, sustained improvements are needed to ensure fiscal stability and support broader economic recovery.

We have also revised down our JCI's FY25-26 earnings growth forecasts to 3.2% and 8.3% YoY (from 8% and 8.4% previously), largely due to more conservative earnings growth expectations across key sectors – particularly banks, infrastructure, basic materials, and consumer cyclicals:

- i. **Banking sector:** FY25-26 earnings growth now estimated at 5.5% and 10.4% YoY (vs 13% and 11.1% previously);
- ii. **Infrastructure, basic materials, and consumer cyclicals:**
 - Infrastructure: revised down to 0.4%/4.6% YoY (from 5.8%/5.2%);
 - Basic materials: 20.9%/21.5% (from 26%/18.7%);
 - Consumer cyclicals: 14.2%/14.4% (from 18.8%/13.8%).

These adjustments reflect a more cautious sentiment amid uncertain macroeconomic conditions and weaker earnings visibility across major sectors.

Danantara leadership eases investor concerns

Global investors have recently become cautious about Indonesian assets following policy shifts under President Prabowo Subianto's administration. The launch of the Danantara sovereign wealth fund, intended to manage over USD900bn of state-owned assets, has raised concerns about governance and potential political interference. These apprehensions contributed to a significant sell-off in the JCI, which experienced its steepest decline since 2011, triggering a temporary trading halt.

However, recent developments have provided some reassurance to the market. The appointments of experienced professionals to Danantara's leadership – ie CEO Rosan Roeslani, CIO Pandu Sjahrir, and COO Dony Oskaria – have been viewed positively. Additionally, the inclusion of respected international figures like Ray Dalio (CIO, Bridgewater Associates), Jeffrey Sachs (economist and public policy analyst), and F Chapman Taylor (Capital Group) on the advisory board aims to bolster confidence in the fund's governance.

These steps suggest a commitment to transparency and professionalism, which may help mitigate political risk concerns. While uncertainties remain, the proactive measures taken could stabilise investor sentiment and support a recovery in the JCI.

Danantara is preparing to act as a liquidity provider in the domestic capital market. The fund is finalising plans to allocate incoming dividends – projected at IDR59.11trn from state-owned banks by the end of April 2025 – into capital market investments. This initiative is part of the sovereign wealth fund's strategy to diversify investments and strengthen the role of domestic institutional investors.

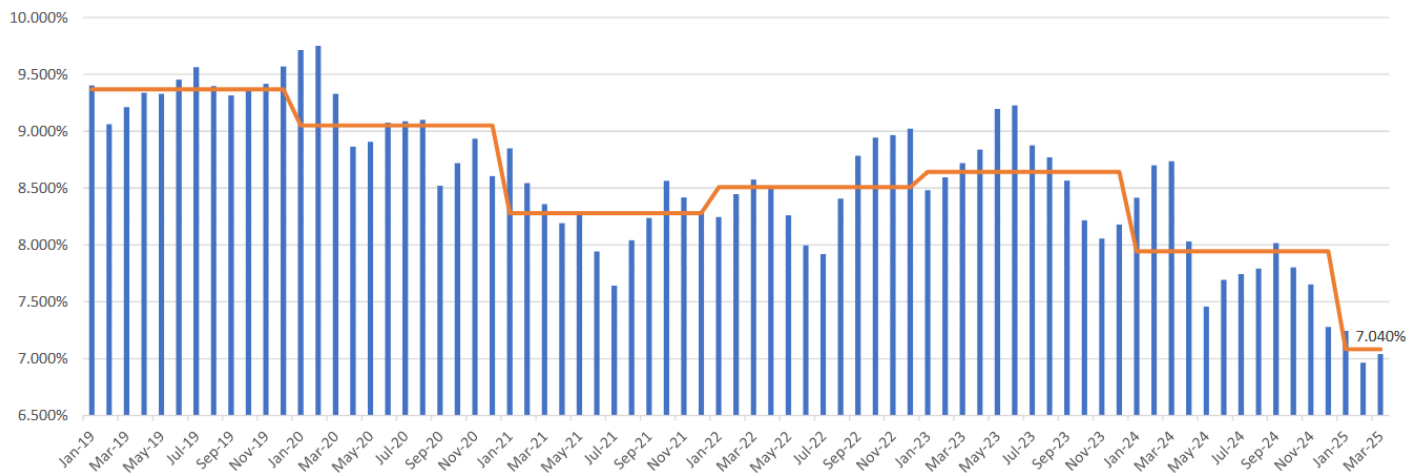
Danantara's move to inject substantial liquidity into the market is expected to have a stabilising effect, particularly during periods of market volatility. Such actions can bolster investor confidence and support stock prices, especially for state-owned enterprises (SOE). This approach is akin to share buyback programmes by SOE banks, which aim to enhance shareholder value and market stability.

Foreign ownership is now below pandemic levels

The most significant decline in foreign ownership within the JCI took place between late 2024 and early 2025, driven by heightened market volatility and sustained capital outflows. Institutional foreign ownership of free-float shares dropped to a record low of 6.97% in February before inching up slightly to 7.04% in March 2025 – a level even lower than during the height of the COVID-19 pandemic.

While further downside to foreign ownership may be limited, restoring investor confidence will likely depend on stronger economic fundamentals, clearer and more effective policy communication, and efforts to improve the overall attractiveness of the market, particularly in the face of ongoing uncertainty.

Figure 10: Institutional foreign ownership of free-float shares is now below the levels seen during the pandemic



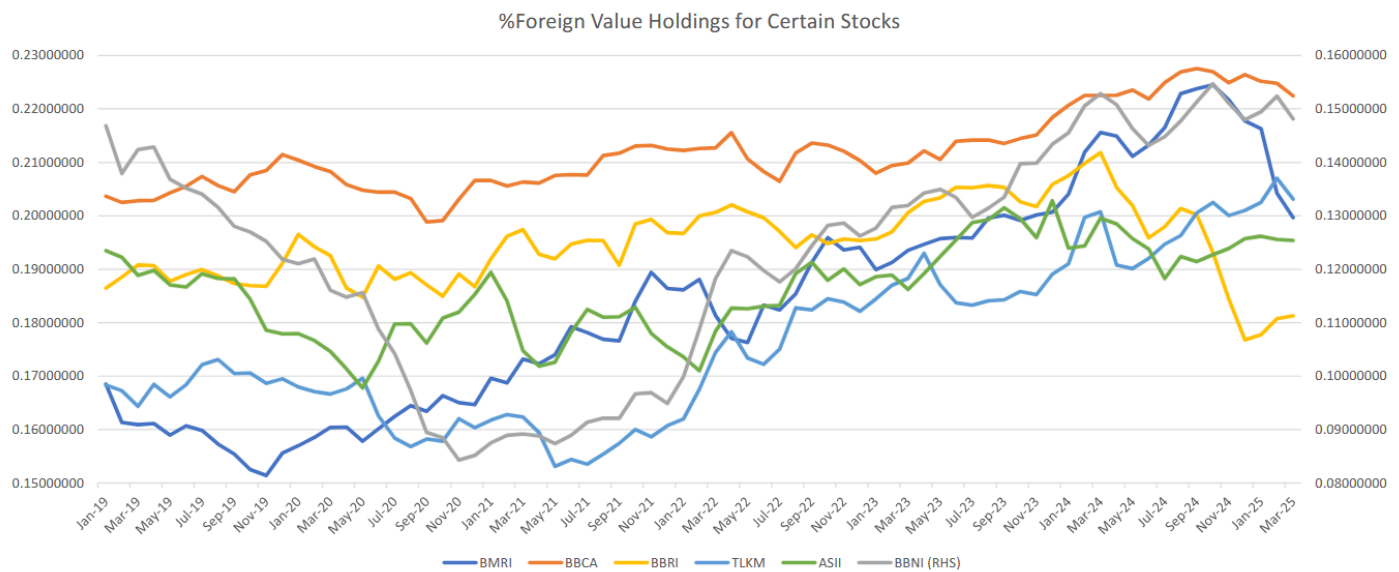
Source: Company data, RHB

BBRI (Figure 11, yellow line) saw a sharp decline in foreign holdings starting in mid-2024 but made some attempts at recovery in early 2025, although it remained significantly below previous levels. By Jan 2025, BBRI's foreign holdings had hit a five-year low, indicating it may have reached its lowest point.

By contrast, BBKA and BBNI demonstrated the strongest recovery and consistent growth in foreign ownership since 2021. BBKA (orange line) maintained its leadership, reaching its peak in late 2024 before slightly decreasing in early 2025, while BBNI (grey line) recovered from its 2020 dip and continued to rise – nearing its highest point in early 2025.

On the other hand, BMRI (blue line) and TLKM (light blue line) showed some volatility towards early 2025, with BMRI experiencing a notable drop in recent months. Astra International (ASII IJ, NEUTRAL, TP: IDR5,200) (green line) remained relatively stable, with only small fluctuations and lower foreign interest throughout the period.

Figure 11: Institutional foreign holdings value of big 4 banks, TLKM, and ASII – Jan 2019 to Mar 2025



Source: Company data, RHB

Market strategy & outlook summary

We set the base case JCI year-end 2025 target at 7,000 pts, reflecting a P/E of 11.0x FY25F. This incorporates a more cautious earnings growth forecast of just 3.2% in FY25 (down from 8%), with an improvement to 8.3% in FY26F – driven by slower expectations in key sectors like banking, infrastructure, and consumer cyclicals. Valuation has been downgraded to – 1.5SD to account for heightened global trade tensions and domestic policy uncertainty. In a bullish case, the JCI could reach 7,680 pts, while in a bearish scenario, the index could fall to 6,100 pts. Currently, the JCI trades at 9.5x FY25F P/E (– 2SD), indicating deep undervaluation and a potential accumulation opportunity if macro conditions stabilise.

Despite short-term volatility, our sector rotation strategy favours banks, plantation, and poultry, while metal mining is NEUTRAL, with a positive bias toward gold-related names like Aneka Tambang (ANTM). We downgraded cement, healthcare, and industrial estates to NEUTRAL, citing soft post-*Lebaran* consumption and delayed investment. Banks remain a strategic OVERWEIGHT due to solid dividend yields, resilient loan growth, and expected easing credit costs in 2H25. Plantation is supported by tight supply and strong demand from biodiesel mandates (B40), while poultry could recover from soft broiler prices as day-old chick (DOC) supply normalises in 2H25 and the free lunch programme kicks in.

From a valuation perspective, the JCI's earnings and multiples remain compressed. Earnings per share is projected to rise from IDR614 (FY24) to IDR686 (FY26F), while P/E compresses from 9.8x to 8.8x. ROEs stay stable at c.14.4–14.6%, and dividend yields remain attractive at c.6.1%. The valuation de-rating reflects investor caution, but also creates an opportunity for long-term investors seeking high dividend yields and capital upside.

By sector, consumer non-cyclicals and financials are set to drive JCI growth in 2025–2026, with expected earnings increases of 10.4% and 5.5%. Infrastructure and industrials face weak near-term growth, while energy lags with double-digit earnings contraction due to falling commodity prices. Sector P/Es are broadly below historical averages, adding rerating potential for outperformers.

Top Picks & stock ideas. Our stock Top Picks balance defensive income and growth catalysts:

- i. **Banks:** Bank Syariah Indonesia (BRIS IJ, BUY, TP: IDR3,500), BBKA, BBRI, BBNI – resilient earnings and valuations underpinned by strong balance sheets and dividends;
- ii. **Dividend plays:** Hanjaya Mandala Sampoerna (HMSP IJ, BUY, TP: IDR970) (16.5% yield), Astra Otoparts (AUTO), Bank CIMB Niaga (BNGA IJ, BUY, TP: IDR2,300), and Elnusa (ELSA IJ, BUY, TP: IDR560) are favoured for high yields with stable outlooks while Indo Tambangraya Megah (ITMG IJ, TRADING BUY, TP: IDR27,810) and Bukit Asam (PTBA IJ, TRADING BUY, TP: IDR3,100) are also attractive for short-term yield despite coal exposure;
- iii. **Oversold opportunities:** Merdeka Copper Gold (MDKA IJ, BUY, TP: IDR2,200), Pabrik Kertas Tjiwi Kimia (TKIM IJ, BUY, TP: IDR8,475), and United Tractors (UNTR IJ, BUY, TP: IDR33,000), offer value with strong fundamentals and recovery potential;
- iv. **Growth & thematic picks:** Sumber Alfaria Trijaya (AMRT), Indofood Sukses Makmur (INDF IJ, BUY, TP: IDR9,150), (consumer defensives), ANTM (gold play), AKR Corporindo (AKRA) (Java Integrated Industrial Estate and Port (JIPE) catalyst), AUTO (parts rebound), PP London Sumatra Indonesia (LSIP) (plantation upside), and Mastersystem Infotama (MSTI) (digital & cloud transformation).

In summary, while 2025 growth will likely remain modest and sentiment volatile, we believe selective buying in value and income stocks, combined with defensive sector positioning, offer a compelling strategy amid market dislocation.

Market Strategy

Base case year-end 2025 JCI target at 7,000

We set our base-case year-end 2025 JCI target at 7,000, implying P/E ratios of 11x for FY25 and 10.2x for FY26. We revised our earnings growth forecasts for FY25 and FY26 to 3.2% and 8.3% YoY (from 8.0% and 8.4%) due to more cautious outlooks in key sectors such as banking, infrastructure, basic materials, and consumer cyclicals. This slower growth aligns with our lower GDP projections. We have also derated the JCI's valuation to -1.5SD (from -1SD) to reflect increased risk aversion amid external pressures (eg rising US tariffs) and domestic policy uncertainties.

In a bullish scenario, JCI could reach 7,680 (P/E of 12.1x FY25F and 11.2x FY26F), supported by renewed foreign inflows, translating to -0.75SD. In a bearish case, the index may fall to 6,100, with P/E ratios of 9.6x and 8.9x for FY25F and FY26F, corresponding to -2.5SD.

Figure 12: Scenario analysis

Indicator	2025			2026		
	Bearish	Base case	Bullish	Bearish	Base case	Bullish
JCI	6,100	7,000	7,680	6,588	7,571	8,294
JCI Z-score*	-2.5SD	-1.5SD	-0.75SD	-2.5SD	-1.5SD	-0.75SD
USD-IDR	17,563	16,746	15,929	17,514	16,697	15,880
UST 10-Yr Yield	3.50%	3.90%	4.60%	3.20%	3.50%	4.30%
SUN 10-Yr Yield	7.34%	7.01%	6.69%	7.22%	6.90%	6.58%
SUN 15-Yr Yield	7.50%	7.18%	6.85%	7.39%	7.06%	6.74%
SUN 20-Yr Yield	7.54%	7.22%	6.90%	7.43%	7.11%	6.78%
IND GDP growth	4.00%	4.50%	4.80%	4.70%	5.00%	5.10%
IND CAD to GDP	-2.00%	-1.50%	-1.00%	-1.70%	-1.40%	-1.10%
IND Budget Deficit to GDP	2.90%	2.70%	2.50%	2.90%	2.70%	2.50%
BI rate	4.50%	5.00%	5.25%	4.00%	4.50%	4.75%
IND Inflation	2.20%	2.00%	1.80%	2.80%	2.50%	2.20%
US Fed Rate	3.00-3.25%	3.50-3.75%	4.00-4.25%	2.50-2.75%	3.00-3.25%	3.75-4.00%
US Inflation	4.00%	3.50%	3.00%	3.00%	2.50%	2.00%
US GDP growth	0.00%	1.50%	2.00%	1.00%	2.00%	3.00%

Source: Bloomberg, RHB

The JCI is currently trading at an attractive valuation of around 9.5x FY25F P/E (-2SD from the 5-year rolling forward P/E), offering a compelling entry point for accumulation. However, we expect continued volatility in 2Q25 due to global uncertainties and weak domestic sentiment, exacerbated by ineffective government communication. We maintain our OVERWEIGHT stance on banks, plantation, and poultry. We are NEUTRAL on metal mining, but gold-related stocks remain appealing. We downgrade the cement, healthcare, and industrial estate sectors to NEUTRAL, given the anticipated challenges from a post-*Lebaran* consumption slowdown and potential investment delays amid macroeconomic risks.

Banks are navigating liquidity pressures with strategic growth plans, aided by low valuations, strong dividends, and buyback programmes. While 1Q25 earnings may be flat due to early provisioning, loan growth remains robust. Earnings should recover in 2Q25 as credit cost pressures ease in the absence of upfront loan provisioning expenses, with liquidity likely improving in 2H25 through increased fiscal spending. Our bank Top Picks are BRIS, BBKA, BBRI, and BBNI.

We remain OVERWEIGHT on plantation as palm oil supply remains tight due to weather-related disruptions, and Indonesia's biodiesel programme, alongside a higher export levy, which will support demand. While 1Q25F earnings may dip QoQ, YoY growth is likely. London Sumatra Indonesia (LSIP) is our Top Pick.

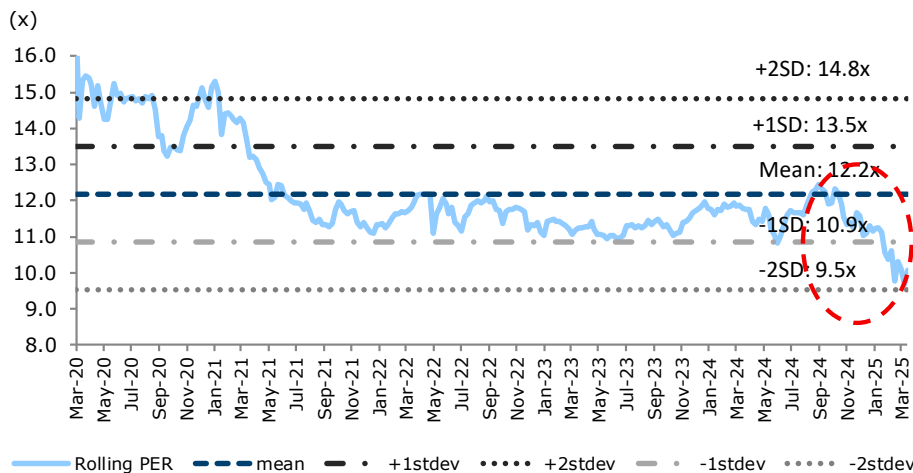
We are also OVERWEIGHT on the poultry sector, as we see long-term benefits despite short-term earnings pressure from weak prices post *Lebaran*. A decline in DOC supply from lower broiler parent stock (GPS) import quotas should ease oversupply risks by 2H25. Structural demand drivers like the free meal programme remain intact. Our preferred names are Japfa Comfeed Indonesia (JPFA IJ, BUY, TP: IDR2,650) and Charoen Pokphand Indonesia (CPIN IJ, BUY, TP: IDR5,800).

23 April 2025

Market Outlook | Market Strategy

For metal mining, we maintain our NEUTRAL stance due to weak global demand and margin compression at smelters. That said, gold-linked stocks like ANTM should stand out, supported by higher gold prices amid safe haven buying and central bank demand.

Figure 13: The JCI's 12-month forward-rolling P/E band



Note: Based on cut off price of 31 Mar 2025

Source: Bloomberg, RHB

Based on our calculations, the JCI is trading at an attractive -2SD from the 12-month forward-rolling P/E

Between Oct 2024 and Mar 2025, the JCI's 12-month forward-rolling P/E ratio declined significantly. In Sep 2024, it was near the historical average of 12.3x. However, it fell sharply in the subsequent months, reaching -2SD of 9.5x by Mar 2025. This indicates a substantial derating, placing the index well below its typical valuation range.

The drop reflects rising investor caution amid both domestic and global uncertainties. Locally, concerns are related to the Government's transition and weak market communication, while externally, fears over potential US trade tariff hikes contributed to sentiment. The 9.5x P/E level, historically viewed as undervalued, usually signals heightened market stress or oversold conditions.

This sharp valuation drop could present an opportunity for long-term investors, assuming macro and earnings fundamentals do not worsen. With the JCI trading at a historically low valuation, a market rebound may be on the horizon if investor confidence returns and external risks ease.

Figure 14: The JCI's key statistics

Market data	FY24	FY25F	FY26F
Revenue growth (%)	2.8	5.1	6.3
Opr. profit growth (%)	(0.2)	6.6	8.1
Net profit growth (%)	2.1	3.2	8.3
Current P/E (x)	9.8	9.5	8.8
Implied PE at TP target (x)	11.4	11.1	10.2
EPS (IDR)	614	634	686
PEG (x)	4.6	3.0	1.1
EV/EBITDA (x)	9.1	8.2	7.3
P/BV (x)	1.5	1.4	1.3
Div. yield (%)	5.8	6.1	6.1
ROE (%)	15.2	14.4	14.6

Note: Based on cut off price 31 Mar 2025

Source: Company data, RHB

The JCI is trading at 1.4-1.3x FY25F-26F P/BV, with attractive 14.4-14.6% ROEs in FY25F and FY26F. Dividend yields for the period are appealing at 6.1-6.1%

Earnings growth should be at a moderate 3.2% YoY in FY25, partly due to slower economic activities during the new Government's transition period in early 2025

The JCI's earnings growth is projected to remain modest, with net profit growth expected at 3.2% YoY in FY25 — up slightly from 2.1% in FY24 — and set to accelerate to 8.3% in FY26. The subdued FY25F growth reflects anticipated economic softness during the early-2025 government transition period, which is expected to weigh on corporate performance in the short term.

P/E ratios show a consistent downward trend, from 9.8x in FY24 to 9.5x in FY25F, and to 8.8x in FY26F. These levels suggest increasing undervaluation relative to historical averages, especially considering the implied P/E at the TP drops from 11.4x in FY24 to 10.2x in FY26F.

The steady compression in P/E indicates heightened investor caution and reflects both the slow earnings outlook and broader macroeconomic uncertainties.

P/BV ratios are similarly conservative, with FY25F–26F multiples ranging from 1.4x to 1.3x. These valuations are notably low by regional and historical standards, making the JCI appear attractively priced, especially when paired with consistent and healthy ROE levels of 14.4–14.6%. The stability of ROE despite sluggish earnings growth suggests that listed companies are maintaining relatively strong capital efficiency.

EPS is projected to rise from IDR614 in FY24 to IDR686 by FY26F, reflecting a gradual recovery in earnings. While not aggressive, this EPS improvement supports a slow but steady growth outlook that could be positively re-rated should macro conditions improve or risks subside.

Finally, dividend yields are expected to remain appealing, at 6.1% for FY25F–26F. These yields, in combination with low valuations and solid ROE, enhance the JCI's attractiveness to income-focused and value-oriented investors. Overall, despite near-term growth headwinds, the market offers favourable long-term positioning for those seeking high dividend returns and potential revaluation upside.

Figure 15: Earnings growth by sector (2025-2026F)

Sector	Mkt cap IDRtrn	Weight %	2025F				2026F			
			Net profit growth (YoY %)		P/E (x)		Net profit growth (YoY %)		P/E (x)	
			RHB	Cons.	RHB	Cons.	RHB	Cons.	RHB	Cons.
Financials services	2,479	57.1%	5.5	4.8	11.2	11.2	10.4	9.7	10.1	10.2
Consumer non-cyclical	600	13.8%	10.4	11.6	9.9	10.5	9.8	11.8	9.0	9.4
Infrastructure	351	8.1%	0.4	6.0	9.8	9.2	4.6	8.8	9.4	8.4
Industrials	292	6.7%	0.1	(2.6)	5.4	5.5	2.3	1.1	5.3	5.5
Energy	200	4.6%	(19.8)	(19.4)	5.3	5.3	(2.2)	(1.5)	5.4	5.3
Basic materials	177	4.1%	20.9	20.2	8.5	8.5	21.5	33.3	7.0	6.4
Healthcare	117	2.7%	10.4	9.1	17.5	17.6	9.4	10.6	16.0	16.0
Consumer cyclical	66	1.5%	14.2	13.1	7.8	8.0	14.4	13.7	6.8	7.0
Property	60	1.4%	4.7	1.0	5.9	5.8	6.2	3.2	5.5	5.6
Total	4,343	100%	3.2	3.0	9.5	9.6	8.3	9.0	8.8	8.8

Note: *Sector classification is based on the JCI's official grouping index – the table above excludes the tech and transport indices

Source: Company data, RHB

Financial services, which is the largest sector, is projected to grow earnings by 5.5% in 2025 and 10.4% in 2026. The growth is slightly above consensus and indicates a relatively stable outlook. Valuation multiples for the sector are modest, with P/BV ratio of 2.4x for 2025, offering 19.2% FY25F ROE, and 6.6% FY25F dividend yields, suggesting that the sector is fairly valued given its growth contribution.

The consumer non-cyclical sector is expected to post robust earnings growth, especially in 2025 (10.4% YoY) and into 2026 (9.8%). Despite its defensive nature, the sector trades at attractive P/E multiples of 9.9x in 2025 and 9.0x in 2026, indicating room for a rerating if momentum continues. This sector appears well-positioned to support market stability during transitional economic periods.

Infrastructure is expected to see weak growth in 2025 (0.4% YoY) but recover in 2026 with 4.6% earnings growth. The sector's P/E ratios – 9.8x in 2025 and 8.9x in 2026 – reflect investor caution likely due to delayed project cycles and policy uncertainties during the political transition. The Government has reallocated the State Budget spending for public works to other programmes such as food security.

Industrials are forecast to deliver flat earnings in 2025 (0.1% YoY), with a modest recovery to 2.3% in 2026. These low growth figures align with the sector's low valuations (5.4–5.3x P/E), indicating that investor sentiment remains muted. Unless clearer growth catalysts emerge, this sector may lag the broader market performance.

Energy remains the weakest among the key sectors, with sharp earnings declines projected at -19.8% in 2025 and -2.2% in 2026. This reflects assumptions of lower commodity prices, which are expected to normalise from a high base. Despite its low valuations (P/E around 5.3–5.4x), the sector appears out of favour and may continue to underperform unless there is a significant rebound in energy prices or sector outlook.

In summary, the JCI's earnings growth in 2025 is expected to be modest, driven primarily by the resilient consumer non-cyclical and financial sectors, while infrastructure and industrials may face challenges, and energy is likely to remain a drag.

Sector preferences and Top Picks

We maintain our OVERWEIGHT stance on banks, plantation, and poultry. While we hold a NEUTRAL view on metal mining, we see potential in gold-related mining stocks. Meanwhile, we have downgraded our outlook on the cement, healthcare, and industrial estate sectors to NEUTRAL, as they are likely to face mounting challenges from weaker consumer spending post *Lebaran* and potential investment delays amid rising global and domestic macroeconomic uncertainties.

Banks are pursuing strategic growth despite liquidity constraints, supported by attractive valuations, solid dividends, and share buyback plans. In 1Q25, earnings may be flat due to early provisioning, though loan growth stayed strong. NIM likely narrowed as loan expansion outpaced deposits. 2Q25 earnings should improve as credit cost pressures ease, while liquidity could ease in 2H25, as higher government spending is expected to provide relief. Banks are adjusting strategies – from micro, SME, and consumer lending to digital expansion – to navigate the environment. Our Top Picks: BRIS, BBCA, BBRI, and BBNI.

We stay OVERWEIGHT on plantation, given the tight palm oil (PO) supply due to delayed *El Niño* effects in Indonesia and *La Niña*-like rains in Malaysia. Indonesia's biodiesel mandates and the planned increase in export levy to 10% (from 7.5%) will further boost domestic PO demand, with B40 expected to absorb 13-14m tonnes or c.30% of national output in 2025. In 2Q25, Trump's new tariffs may benefit PO demand if the US shifts from canola and China from soybeans. While 1Q25F earnings are expected to decline QoQ, due to seasonality and softer prices, YoY results should improve. LSIP is our Top Pick.

We are OVERWEIGHT on the poultry sector, and view the long-term prospects positively despite near-term earnings pressure from soft pricing. Weak demand following the *Lebaran* festive season and subdued consumer purchasing power may weigh on broiler prices in 2Q25. However, supply-side support is emerging, with the Government reducing FY24 GPS import quotas by 15-20% YoY, which should lower DOC supply by 2H25F and help rebalance the market. In 1Q25, weaker broiler and DOC prices – down 4.7% and 10.2% QoQ – are likely to lead to softer results. Nonetheless, structural demand drivers like the free meal programme offer long-term upside. Top Picks: JPFA and CPIN.

We are NEUTRAL on metal mining due to ongoing concerns over slowing demand from export-driven economies like China, and margin pressure on smelter companies. However, we favour gold-related names due to rising gold prices, which are being boosted by Chinese central bank purchases and consumer demand amid recession fears. Top Pick: ANTM.

Figure 16: Sector picks

Sector	Top Picks
<u>OVERWEIGHT</u>	
Banks	Bank Syariah Indonesia (BRIS), Bank Central Asia (BBCA), Bank Rakyat Indonesia (BBRI), Bank Negara Indonesia (BBNI), London Sumatra Indonesia (LSIP)
Plantation	
Property – residential developer	Pakuwon Jati (PWON)
Telco	XL Axiata (EXCL)
Poultry	Japfa Comfeed (JPFA), Charoen Pokphand Indonesia (CPIN)
<u>NEUTRAL</u>	
Auto	Astra Otoparts (AUTO)
Coal	United Tractors (UNTR), Bukit Asam (PTBA)
Consumer	Indofood Sukses Makmur (INDF), Sumber Alfaria Trijaya (AMRT)
Cement	Indocement (INTP)
Healthcare	Medikaloka Hermina (HEAL)
IT Solution	Mastersystem Infotama (MSTI)
Metal mining	Aneka Tambang (ANTM)
Oil & gas	AKR Corporindo (AKRA)
Pulp & paper	Indah Kiat Pulp & Paper (INKP)
Property – industrial estates	Surya Semesta Internusa (SSIA)
Tobacco	Hanjaya Mandala Sampoerna (HMSP)

Source: RHB

Sector highlights and outlook

Figure 17: Sector highlights and outlook (i)

Sector	Rating	Highlight/outlook	Top Picks
Banks	OVERWEIGHT	Indonesian banks under our coverage (IND Banks) are focusing on strategic growth amid liquidity pressures. Sector valuation remains attractive with lucrative dividends. Banks' share buyback plans should support share prices in the short term. BBRI plans to gradually expand its micro loans through the General Village Credit Programme (KUPeDES), although tight liquidity may put pressure on NIM. BMRI is shifting its focus to SME and retail lending, anticipating a narrower NIM, but higher loan yields. Government support is expected to help ease the impact. BBKA expects slower loan growth from weak consumer spending, but sees potential for loan repricing even with anticipated rate cuts. BBNI will continue with its liability-driven strategy, keeping credit costs (CoC) stable while adjusting lending based on liquidity. BRIS is targeting strong growth in consumer and gold financing products, while BBTN is focusing on digital expansion and large asset sales to enhance deposits and manage credit risk. 2Q25 outlook. We expect 2Q25 earnings (PATMI) for IND Banks to improve, as major upfront credit cost allocations seen in 1Q25 are unlikely to recur. However, liquidity conditions are expected to remain tight in the near term, with potential relief in 2H25 driven by increased government spending, which should help boost market liquidity. 1Q25 results preview. In 1Q25, banks are likely to report modest PPOP growth in the low single digits, while PATMI may remain flat due to early-year upfront credit cost provisioning – mainly as a precaution against rising loan loss risks in the micro segment. Loan growth likely remained strong at low double digits, but NIM may have contracted slightly as loan growth outpaced third-party deposit growth, tightening liquidity.	BRIS, BBKA, BBRI, BBNI
Plantation	OVERWEIGHT	PO supply remains tight due to the delayed <i>El Nino</i> impact on productivity in 2H24 in Indonesia and the wet <i>La Nina</i>-like weather in Malaysia in 1Q25. Indonesia's biodiesel mandates will continue to drive demand for PO. In addition, the Government has announced the increase of its export levy rate to 10% (from 7.5%, although there is no fixed date of implementation yet) to ensure the success of B40. This will utilise 13-14m tonnes of PO in Indonesia in 2025, taking up c.30% of the country's output. 2Q25 outlook. The net impact of Trump's additional tariffs could potentially be positive for demand, should the US switch away from Canadian canola oil to PO (as the taxes are more punishing on canola oil) and if China switches away from US soybeans to palm. Spot CPO prices remain elevated at MYR4,600-4,700 per tonne currently, with the YTD price at MYR4,715 per tonne. Although this is above our 2025 CPO price assumption of MYR4,300 per tonne, we expect prices to moderate in 2H25, on the back of the seasonal peak period. 1Q25 results preview. 1Q25F earnings are likely to be lower QoQ for Indonesian planters, given the lower seasonal output as well as slightly lower prices – CPO prices net of taxes fell 5.3% QoQ. However, on a YoY basis, we expect earnings to be stronger in 1Q25F, as production output should be higher YoY by single digits, while CPO price net of taxes rose 8.3% YoY.	LSIP
Property – residential developer	OVERWEIGHT	The Government is extending the tax incentive programme until Dec 2025. If the requirements remain the same, we expect developers to benefit, as long as they can accelerate deliveries, as some developers are currently running low on inventories (with the majority of them in less-favourable high-rise assets). This is on top of risks from still-weak purchasing power that could threaten presales achievement. We expect presales to normalise in FY25. We still prefer recurring play stocks for the sector, with PWON as our champion. 2Q25 outlook. Revenue from hospitality as well as recurring revenue (malls) should be better, as there are more holidays and festivities during the quarter. We believe PWON is in the right position to capture higher demand from leisure activities, while revenue from property developers may remain choppy, given the handover schedule, which we believe is more focused on the year-end. 1Q25 results preview. We expect a slower QoQ performance as developers rush deliveries in 4Q24 (to align with the tax incentive requirement). However, revenue from real estate is expected to pick up towards the end of the year based on the handover schedule.	PWON

Source: Company data, RHB

Figure 18: Sector highlights and outlook (ii)

Sector	Rating	Highlight/outlook	Top Picks
Telco	OVERWEIGHT	Aggressive network expansion by telco operators should boost network quality, resulting in higher data consumption. Additionally, tier-2 cities with limited access to fixed broadband internet should heavily rely on cellular data. Therefore, ample growth opportunities should come from these cities. The merger of Smartfren Telecom (FREN) and EXCL will result in only three operators remaining in the market, leading to a healthier industry. However, the fixed broadband market should see tight competition from cheaper packages offered to consumers, at IDR100k/ month, which could cap the growth of FBB ARPU for telco operators under our coverage. 2Q25 outlook. Post <i>Lebaran</i> season, we expect lower data traffic, but price increments and adjustments should help maintain ARPU. However, on the FBB segment, we remain cautious on competition from cheap offerings of IDR100k/month, which could cap subscriber growth in this segment for telco operators under our coverage. 1Q25 results preview. Higher data traffic during the <i>Lebaran</i> season should boost telco players' ARPU. This, together with the gradual price increment since 4Q24, should help telco operators to book single-digit revenue growth, in our view.	EXCL
Poultry	OVERWEIGHT	While near-term earnings may come under pressure due to the soft price environment, we remain positive on the sector's long-term outlook. The anticipated decline in supply, due to lower GPS import quotas, and the gradual rollout of the Government's free meal programme are expected to support broiler consumption and improve industry dynamics over time. 2Q25 outlook. Following the <i>Lebaran</i> festive period, the poultry industry typically enters a seasonally weaker phase, as demand for chicken softens in the absence of major festivities, and wallet size declines. We remain cautious on the poultry sector in the short term, amidst soft purchasing power which may lower the demand for broiler chicken. This is also seen in the softer broiler prices recently. Nevertheless, in the longer-term, we see some positive developments on the supply side. The Government's decision to lower the GPS import quota by 15-20% YoY in FY24 is expected to result in a reduced DOC population by 2H25F, potentially easing the risk of oversupply. 1Q25 results preview. In 1Q25, the average broiler price in the West Java region declined to IDR19,220 per kg (-4.7% QoQ, -4.6% YoY), while DOC prices fell to IDR5,518 per chick (-10.2% QoQ, +7.9% YoY). This may result in a softer performance for poultry players.	JPFA, CPIN

Source: Company data, RHB

Figure 19: Sector highlights and outlook (iii)

Sector	Rating	Highlight/outlook	Top Picks
Auto & autoparts	NEUTRAL	Our outlook for the rest of 2025 remains cautious, due to the lack of government incentives and still-weak consumer purchasing power. We expect the sector to chalk a 4-wheeler (4W) domestic sales volume of 850k units in 2025 (-2% YoY and below the Association of Indonesia Automotive Industries' (GAIKINDO) 900k-unit target) with new energy vehicles (NEV) growing its share of the total car market. We maintain our sector call and prefer AUTO, which should still benefit from demand for replacement and autopart services. 2Q25 outlook. Revenue from the auto sector is expected to be lower QoQ on seasonality (fewer working days, leading to lower production and sales volumes). We expect sales volumes to pick up in 2H25. 1Q25 results preview. We are expecting the non-primary segment to perform better. This includes auto part sales and services, as people tend to prepare their vehicles before the <i>Lebaran</i> holiday. Primary sales volumes were also better than expected, as the Indonesia International Auto Show (IIMS) took place in Feb 2025. We still expect the replacement market to perform better, based on current consumer behaviour.	AUTO
Cement	NEUTRAL	We remain NEUTRAL on the cement sector. We still have a conservative 2025 sales volume forecast of 63.1m tonnes (-0.95% YoY) vs the industry's growth target of +1-3% YoY. A key catalyst: Higher-than-expected demand for bag cement, especially products from main brands. This spike would be triggered by a faster-than-expected recovery in consumer purchasing power – especially related to the housing sector – which we think may happen in 2H25F. INTP is our preferred pick, as we expect it to perform better than its peers. A recent acquisition could also support INTP's domestic sales volumes, in our view. 2Q25 outlook. Revenue is expected to rise QoQ due to the seasonal uptick in housing construction activity following the <i>Ramadan</i> period. However, subdued consumer demand may limit the potential for ASP increases. 1Q25 results preview. We expect a weaker QoQ performance on a seasonality basis (heavy rains and <i>Ramadan</i> month continuing into the <i>Lebaran</i> holiday). We expect sales volumes to pick up in 2H25.	INTP
Coal	NEUTRAL	Despite support from dividends distributed by several coal companies, the sector's fundamentals remain challenged by the continuing decline in coal prices (Newcastle FY25F average: USD110/tonne vs FY24's USD136/tonne). Companies that are able to increase production volumes while maintaining margins may be better positioned to mitigate this risk. Business diversification could also play a crucial role moving forward. 2Q25 outlook. There is some support from the upward movement in coal prices, which tend to rise due to seasonal factors starting in May (with MoM momentum lasting until September). This increase is typically driven by utility companies stocking up ahead of the summer season. The price uptrend could serve as a positive sentiment for short-term trading (our view and stance for the sector). 1Q25 results preview. As seen in previous periods, the beginning of the year usually marks the lowest point for coal prices, which can exert downward pressure on company topline. Continued high rainfall during this period may also further disrupt mining activity, albeit temporarily – we expect some downturn in earnings on a QoQ basis.	UNTR, PTBA
Consumer	NEUTRAL	We remain concerned on the outlook for consumer companies due to the challenging purchasing power situation (ie from layoffs which hurt spending power for mid- to low-income segments, and budget cuts by the Government), coupled with geopolitical uncertainties. 2Q25 outlook. We will continue to monitor the performances of both staples and retail companies in 2Q25, given the minimal catalysts post <i>Lebaran</i> season. 1Q25 results preview. We stay vigilant on the companies' performances during 1Q25, given the soft purchasing power situation. Our ground checks found that February retail performance remained weak YoY, with <i>Lebaran</i> celebrations potentially less festive than the prior year (some reports noted that fewer people returned to their hometowns for the festival, translating to lower spending). The IDR depreciation represents another challenge for most consumer companies.	INDF, AMRT

Source: Company data, RHB

Figure 20: Sector highlights and outlook (continued iv)

Sector	Rating	Highlight/outlook	Top Picks
Healthcare	NEUTRAL	We remain cautious on the weak purchasing power outlook and potential Social Security Administrator for Health (BPJS) deficit, which could curb sector growth. The sector's growth (particularly for hospital companies) could be impacted by the high base for patient traffic with pharmaceutical companies struggling with weak purchasing power conditions and the IDR depreciation. 2Q25 outlook. There may be some traffic improvement on a QoQ basis, but it is likely to remain lower YoY owing to the high base effect in 2024. However, we stay vigilant on the payer mix, given the challenging purchasing power situation. We will monitor the updates on the class standardisation initiative, which is expected to be implemented in mid-2025. 1Q25 results preview. We remain concerned on the YoY performance of healthcare companies, given the high base of patient traffic, and minimal improvements in revenue intensity, based on the current case mix. The high number of public holidays also puts pressure on patient volumes. We stay vigilant on the issues relating to BPJS and private insurance.	HEAL
IT Solutions	NEUTRAL	The Prabowo administration remains committed to advancing digitalisation of the economy, making IT solutions a space worth monitoring. This trend supports MSTI's goal of achieving at least 10% YoY orderbook growth in 2025. Between 2020 and 2023, Indonesia's IT spending grew at an average CAGR of 6%, increasing from IDR402trn to IDR484trn. 2Q25 outlook. We have a cautious view on the 2Q25 financial outlook of IT solutions companies, because historically, new contract/orderbooks begin building up in 1H, resulting in 1H performance being weaker than 2H. On a positive note, MSTI is likely to distribute dividend payments in 2Q25, supporting its share price performance. 1Q25 results preview/highlights. Historically, 1Q marks the lowest point for IT solutions companies' financial performance as IT tenders only open in 1H, and this can exert downward pressure on company topline. We expect the same to occur this year.	MSTI
Metal mining	NEUTRAL	The metal mining sector remains under pressure due to ongoing risks of an economic slowdown in export-reliant regions like China. Smelter companies are also facing mounting profitability challenges as margins continue to tighten. Even so, there is still room for short-term trading plays, especially when macro indicators turn favourable — such as stronger PMI readings. Notably, the recent uptick in gold prices — driven by the Chinese central bank's gold purchases and heightened consumer demand amid rising recession concerns — could be a tailwind for gold-related companies. 2Q25 outlook. The impact and uncertainty stemming from ongoing trade war tensions continue to weigh on commodity prices, particularly base metals. Manufacturing activity has slowed due to fears of rising tariffs on finished goods, leading to higher inventory levels of these commodities. As a result, expectations of weaker ASPs (especially for nickel, copper, and tin) persist during this period — degrading earnings for metal players. 1Q25 results preview. Commodity prices remained relatively favourable in early 2025, with an upward trend driven by buyers making early purchases ahead of potential US tariff hikes. This has opened the possibility for stronger QoQ earnings, particularly for companies with exposure to gold.	ANTM
Oil & gas	NEUTRAL	We recently cut our Brent crude oil price forecasts for 2025 and 2026 to USD70 per bbl from USD75 per bbl, given the economic slowdown and likelihood of an absence of oil output cuts by OPEC this year. We think this will hurt upstream companies' prospects, but bring higher gasoline sales volumes for downstream companies. Given the more conducive environment post election year, we estimate that AKRA's petrol business will grow 7% YoY. 2Q25 outlook. We expect some support for oil prices, following the US' postponement of import tariffs. On the other hand, OPEC's plans to increase oil output should largely exert downward pressure on oil prices, affecting upstream companies' earnings growth. For downstream players, we see more upside for AKRA, as higher gasoline sales volumes are expected, given the low oil prices. 1Q25 results preview. AKRA and ELSA's management teams hinted at better YoY performances in 1Q25. ELSA indicated that 2M25 net income improved YoY, with the contributions from its upstream and distribution segments now being more balanced. For AKRA, in the absence of permit issues, the mining sector's demand for petroleum has yielded better margins for the company in 2M25, and this should be reflected in its 1Q25 results.	AKRA

Source: Company data, RHB

Figure 21: Sector highlights and outlook (v)

Sector	Rating	Highlight/outlook	Top Picks
Pulp & paper	NEUTRAL	Market Bleached Hardwood Kraft (BHK) pulp prices reached USD588 per tonne in China, up 1% MoM and 8% YTD, but 14% lower YoY. We anticipate that the recent hike in pulp prices could end soon, considering the recent tariffs implemented by the US, which could reduce global demand, resulting in lower demand for paper and packaging. We maintain NEUTRAL on the sector, given the potentially lower demand for paper and packaging, although this is partly offset by downtime, particularly in Europe, for Bleached Softwood Kraft (BSK) pulp, therefore shifting demand towards the cheaper BHK. 2Q25 outlook. Higher BHK price increments from February to March should be reflected in 2Q25 results. However, the implementation of US import tariffs should slow down China's exports, therefore lowering the demand for paper and packaging. This should be seen starting in April, with China's demand for pulp being affected. Note that weaker April orders, which would be shipped in May and June, would negatively impact pulp producers' revenue in 2Q25. 1Q25 result preview. While BHK pulp prices showed some improvement from January onwards, we expect pulp & paper companies to book flattish topline as we anticipate lower sales volumes due to the Lunar New Year holiday in China.	INKP
Property – industrial estates	NEUTRAL	Various economic stimulus measures in China are facing potential challenges from a re-emerging trade war with the US. We see this as an opportunity for the industrial estate sector to thrive in 2025, as China may shift its manufacturing operations outside the country to maintain access to the US market. For 2025, the Ministry of Investment targets USD120bn or IDR1,980trn in total direct investments. For SSIA, BYD investments could attract more EV players to invest in Subang. We estimate a 67% YoY industrial estate revenue growth for 2025. 2Q25 outlook. Revenue from BYD's construction progress should remain SSIA's main revenue driver, and should improve after the holidays and <i>Lebaran</i> festivities in 1Q25. On the other hand, following recent developments in the trade war, DMAS' new marketing land sales intended for IT-related tenant are yet to materialise. Over the long term, we still expect more IT-related investments in DMAS' areas. 1Q25 results preview. We expect a slower performance on a QoQ basis following various festivities in 1Q25, such as the Lunar New Year and <i>Lebaran</i>, which could translate to slower progress on BYD's plant construction in SSIA's area, and longer negotiations for DMAS' potential land buyers.	SSIA
Tobacco	NEUTRAL	Despite the potential zero excise tax in 2025, we expect the tobacco sector to remain under pressure as below tier-2 tobacco players have been aggressively expanding to cater to increasing downtrading. Based on our ground checks, 4Q24 demand for cigarettes has been decreasing sharply for tier-1 players as consumers switch to cheaper alternatives and illegal cigarettes. 2Q25 outlook. Weakening purchasing power, growing competition from tier-2 companies' cheaper alternatives and illegal cigarettes remain the major challenges for the industry. However, with zero excise tax hikes, we expect to see some growth and better volumes YoY post <i>Ramadan</i>. 1Q25 results highlights. Lower demand during <i>Ramadan</i> and weaker purchasing power should lead to lower sales volumes. We expect both Gudang Garam (GGRM) and HMSP's sales volumes to contract in 1Q25, leading to a decline in revenue growth QoQ. On a YoY basis, we expect price hikes in 2H24 to 1Q25 to partly offset declining volumes, and therefore revenue should see a slight contraction.	HMSP

Source: Company data, RHB

Our Top 10 Picks

Figure 22: Top 10 picks

Name	Ticker	Rating	Price	TP	Upside/ downside	Market cap	EPS growth	2025F				
			(IDR)	(IDR)	(%)	(USDbn)	(%)	P/E (x)	P/BV (x)	PEG (x)	ROAE (%)	Yield (%)
Bank Central Asia	BBCA IJ	BUY	8,225	11,680	42.0	60.4	4.4	17.1	3.4	3.8	20.9	4.0
Bank Rakyat Indonesia	BBRI IJ	BUY	3,800	4,600	21.1	34.3	1.0	8.9	1.4	8.6	17.4	9.3
Bank Negara Indonesia	BBNI IJ	BUY	4,260	5,200	22.1	9.5	9.3	6.4	0.9	0.7	14.2	9.7
Sumber Alfaria Trijaya	AMRT IJ	BUY	2,290	3,800	65.9	5.7	16.4	25.0	4.4	1.5	25.0	1.9
Indofood Sukses Makmur	INDF IJ	BUY	7,075	9,150	29.3	3.7	18.5	4.4	0.8	0.2	17.0	5.7
Aneka Tambang	ANTM IJ	BUY	1,860	2,160	16.1	3.2	12.9	1.4	11.6	6.8	11.6	6.8
AKR Corporindo	AKRA IJ	BUY	1,100	1,500	36.4	1.3	11.6	6.9	1.5	0.6	22.1	8.9
Astra Otoparts	AUTO IJ	BUY	1,905	2,800	47.0	0.5	1.7	5.3	0.6	3.2	11.6	5.9
London Sumatera	LSIP IJ	BUY	1,075	1,530	42.3	0.4	(3.1)	4.6	0.5	(1.5)	26.6	8.7
Mastersystem Infotama	MSTI IJ	BUY	1,370	1,800	31.4	0.3	17.1	6.9	1.7	0.4	26.6	8.7

Note: As per 10 April 2025 closing price

Source: Company data, RHB

Bank Central Asia (BBCA). 4Q24 PATMI increased 13% YoY to IDR54.8trn, meeting our and consensus' estimates. Management expects 2025 to be a year of moderation due to a tough operating environment, and last year's strong growth and high base. Nevertheless, with a solid and liquid balance sheet, healthy capital levels, and management's proven ability to tap new growth opportunities, we continue to like BBCA as a proxy to the broader economic momentum.

Bank Rakyat Indonesia (BBRI). We believe the recent negative news surrounding BBRI have largely been priced into its current valuation. In Jan 2025, the bank's net profit dropped 58.3% YoY to IDR2.01trn, primarily due to elevated provisions and sluggish loan disbursements, especially in the micro segment. Loan growth came in at 4.6% YoY, below the 7-9% target, though a rebound is anticipated in 2Q25. Credit costs spiked to 5.71% from 3.11% in FY24, as the bank front-loaded its provisions, but management expects CoC to ease in the coming months.

Bank Negara Indonesia (BBNI). Despite BBNI announcing changes to its top-level management team at the latest AGM, we believe investors will take heart that the bank will be helmed by familiar names. BBNI also declared a higher-than-expected dividend that yielded an attractive 8.8%. While the stock has done well relative to the broader market, we think valuation is still attractive at FY25F P/BV of 0.94x vs 14.2% ROE, further supplemented by an FY25F dividend yield of 9.2%.

Sumber Alfaria Trijaya (AMRT). We remain optimistic on AMRT's long-term outlook, given its resilient business model. We hold the view that the company should be able to display its defensive qualities – especially during this current challenging economic period – as it sells staples, for which demand ought to remain constant regardless of economic conditions. Even in the face of a number of economic pressures, consumers still need these products – making them more resilient to market fluctuations. Despite the downtrading activities, we believe consumers will still shop at its stores, stemming from AMRT's dominance in the mini-market business. There might be some concerns over margins in the short term, with regards to the expenses from the establishment of distribution centres, but this should bode well over the long run, in our view. AMRT trades at c.20x 2025F P/E, around -2SD from its 5-year average band.

Indofood Sukses Makmur (INDF). We like the company due to the defensive qualities of its consumer business segment, which is under Indofood CBP (ICBP IJ, BUY, TP: IDR14,200). We believe INDF's consumer segment will be able to pass on any cost increases from higher raw material prices, given its dominant market presence. INDF should also benefit from a potential increase in CPO prices. We will stay vigilant on the exchange rate dynamics, as INDF has sizeable USD-denominated loans. The stock is trading at an undemanding 5-6x 2025F P/E.

Aneka Tambang (ANTM). We remain optimistic with regards to ANTM's performance, driven by continuing growth in gold sales –amidst the ongoing uncertainty – as well as a more-conducive situation for mining permit regulations. ANTM has also retained a solid net cash position that supports its future expansion plans. The current market conditions and political uncertainty has positioned gold as a main safe haven for investors – this has driven gold prices to c.USD3,430 per oz (+48% YoY) as of 22 Apr 2025. As one of the largest gold suppliers in

the domestic market, ANTM benefits from a significant increase in volume. We believe this positive trend will continue this year – further supported by the growing retail market.

AKR Corporindo (AKRA). In a more conducive environment post an election year, we estimate the petrol business to grow 7% YoY. We track back towards AKRA's petroleum sales volumes for one year after two election years – 2014 and 2019 – and found petrol sales volumes booking substantial growth: +21% YoY in 2015 and +12% YoY in 2020. We are also anticipating a conservative 70ha of land sales in 2025, which is lower than management's guidance of 80-110ha at Java Integrated Industrial and Ports Estate (JIPE). AKRA has seen a good start to 2025, with ANTM buying 5ha of land at the beginning of the year. JIPE's revenue from utilities was also at an all-time high of IDR318bn (+296% YoY) – and there is the potential for this to more than double in 2025. Anchor tenants were running at 30-40% of capacity in 2024, and we are expecting 18% YoY earnings growth for 2025.

Astra Otoparts (AUTO) can benefit from shift in consumer behaviour that leans towards secondary and replacement markets as well as from seasonality – it expects a solid performance in 1Q25 following higher demand, especially in after-sales services and replacements before the long travels during the *Lebaran* holiday season. Moreover, while we wait for a 4-wheeler or 4W segment recovery, 2-wheeler or 2W and commercial vehicles look set to support AUTO's manufacturing unit. The company is still our sector Top Pick, given its relatively resilient earnings. A recovery in the primary market would be a further catalyst. We also like AUTO's strong balance sheet, attractive dividend yields, and valuation. Key risks to watch for: Volatile USD/IDR volatility and commodity prices – these can be seen as maximum risks, given the current escalating trade war between China and the US.

PP London Sumatra Indonesia's (LSIP) FY24 results came in strongly above expectations. Going forward, we expect earnings to remain robust, thanks to the higher CPO price environment and recovering output. We estimate FFB output to see some recovery as *El Nino* effects dissipate. For FY25, LSIP is targeting for small single-digit FFB growth, in line with our FFB growth assumption of 3% for FY25-26. We continue to like LSIP for its attractive valuation – trading at 4.4x FY25F P/E, significantly below its peers' range of 7-11x.

Mastersystem Infotama (MSTI) Is aiming for at least a 10% YoY orderbook growth in 2025 while maintaining a net margin of 9-10%. Management expects the orderbook to expand at least at the same rate as the historical growth rate of 10%, putting MSTI's orderbook at IDR5.7trn by 2025. While the company plans to pursue more Nvidia Corp projects in 2025, it hopes to expand its cloud and managed services this year. Note: Managed services is MSTI's biggest margins business, reaching 60%. Data sovereignty and privacy protection legislation are two IT areas that the company regularly monitors as they may lead to more projects. We expect 14% YoY earnings growth for 2025.

Navigating uncertainty with high-yield counters

Amid the current uncertain environment, companies offering attractive dividends stand out as appealing investment options. From the Top 20 highest dividend-yielding stocks, we favour Hanjaya Mandala Sampoerna (HMSP IJ, BUY, TP: IDR970), AUTO, BNGA, and Elnusa (ELSA IJ, BUY, TP: IDR560) for their strong yields and relatively stable earnings performances. Coal-related names like Indo Tambangraya (ITMG IJ, TRADING BUY, TP: IDR27,810) and Bukit Asam (PTBA IJ, TRADING BUY, TP: IDR3,100) also look promising, though their earnings tend to be more volatile due to their coal price exposure.

On the other hand, we maintain SELL recommendations on Gudang Garam (GGRM IJ, TP: IDR13,700) and Bank BJB (BJBR IJ, TP: IDR670), as their weaker fundamentals outweigh the appeal of their high dividend yields.

HMSP: Very attractive dividend yield (16.5%) with strong fundamentals – double-digit EPS growth (+18.8%), high ROE (32.7%), and low P/E (6x). A strong pick for income-focused investors.

AUTO: Healthy 9.7% yield, supported by positive earnings and automotive part exposure. Low valuation enhances its appeal.

BNGA: Attractive yield (9.4%) with solid EPS growth and ROE. Among the best mid-sized banks for value and income investors.

ELSA: Strong income potential (10.1% yield), low valuation (3.7x P/E), and decent growth outlook (+7.5% EPS). Looks undervalued and supported by oil-related activity.

PTBA: Attractive yield (11.7%) and healthy ROE (19.1%), but flat EPS growth. Positive for tactical plays – especially if coal prices rebound.

ITMG: High yield and cheap valuation, but declining earnings (-17.3%) limit long-term appeal. Best suited for short-term dividend harvesters.

GGRM: While dividend yield is solid (11.7%), negative EPS growth and low ROE suggest limited upside. Sectoral challenges (eg excise tax and weak volume) remain.

BJBR: Despite a 10.4% yield, there is relatively low ROE and a conservative growth outlook. Valuation is undemanding, but upside appears limited vs peers.

Figure 23: Top 20 – highest dividend stocks

		Recommendation	Last price (IDR)	TP (IDR)	Div. yield (%) 2025F	EPS Growth (%) 2025F	P/E (x) 2025	P/BV (x) 2025	ROE (x) 2025
Hanjaya Mandala Sampoerna	HMSP IJ	BUY	550	970	16.5	18.8	6.0	2.0	32.7
Adaro Energy	ADRO IJ	BUY	1,845	3,900	13.5	-39.3	4.3	0.6	14.8
Gudang Garam	GGRM IJ	SELL	10,200	13,700	11.7	-2.5	4.4	0.3	6.6
Bukit Asam	PTBA IJ	TRADING BUY	2,520	3,100	11.7	0.7	6.4	1.2	19.1
Bank BJB	BJBR IJ	SELL	830	670	10.4	9.2	5.8	0.5	9.2
Elnusa	ELSA IJ	BUY	422	560	10.1	7.5	3.7	0.6	15.2
Deltamas Pura Lestari	DMAS IJ	BUY	136	200	9.8	6.3	4.7	0.8	17.6
Astra Otoparts	AUTO IJ	BUY	1,975	2,550	9.7	1.7	4.6	0.6	12.4
Indo Tambangraya	ITMG IJ	TRADING BUY	22,950	27,810	9.6	-17.3	5.3	0.7	14.1
Bank CIMB Niaga	BNGA IJ	BUY	1,695	2,300	9.4	7.7	5.7	0.8	13.2
Perusahaan Gas Negara	PGAS IJ	BUY	1,555	1,900	9.1	1.0	7.3	0.8	9.0
United Tractors	UNTR IJ	BUY	23,550	33,000	9.0	0.6	4.5	0.8	18.3
Wismilak Inti Makmur	WIIM IJ	BUY	650	1,380	8.8	22.0	2.8	0.5	19.4
Bank Rakyat Indonesia	BBRI IJ	BUY	4,050	4,600	8.3	1.0	10.1	1.6	16.0
Mastersystem Infotama	MSTI IJ	BUY	1,405	1,800	8.2	17.1	7.3	1.8	25.2
Bank Negara Indonesia	BBNI IJ	BUY	4,240	5,200	8.2	9.3	6.7	0.9	13.7
Astra International	ASII IJ	NEUTRAL	4,920	5,200	8.1	-0.5	5.9	0.9	15.7
AKR Corporindo	AKRA IJ	BUY	1,095	1,500	7.5	11.6	8.6	1.8	16.3
Bank Mandiri	BMRI IJ	BUY	5,200	5,880	7.4	7.2	8.1	1.6	19.3
PP London Sumatera	LSIP IJ	BUY	1,110	1,530	6.8	3.1	5.0	0.5	9.9

Note: As per 31 Mar 2025 closing price

Source: Bloomberg, RHB

Oversold counters, but fundamentally strong

The table below (Figure 24) comprises the most sold-off stocks under coverage. We believe there are good entry points for some stocks with strong fundamentals such as Merdeka Copper Gold (MDKA IJ, BUY, TP: IDR2,200), Pabrik Kertas Tjiwi Kimia (TKIM IJ, BUY, TP: IDR8,475), United Tractors (UNTR IJ, BUY, TP: IDR33,000), and Surya Semesta (SSIA IJ, BUY, TP: IDR1,300).

MDKA: Management continues to provide a positive outlook, which we expect will materialise in the near future. The Pani Gold project is on track and is set to begin production in 2026 (initial production at 70-90k oz pa) to complement the limited activity at the Tujuh Bukit gold mine (FY25F: 100k oz, slightly lower than FY24's c.115k oz). There is also the expansion of the high-pressure acid leach or HPAL business (that has a 30k tonnes target for FY25) for which MDKA still holds a minority stake (with the potential for increased ownership in 2026). We also need to note the positive developments in nickel ore mining project at SCM (limonite ore targeted to reach 14m tonnes; +27% YoY). These factors form the basis on our future cash flow assessment for MDKA's fundamental upside.

TKIM is trading at a cheap valuation of 4.4x 2025F P/E (57% discount to the peer average). 49.08%-owned OKI Pulp & Paper Mills' (OKI) capacity expansion of 3m tonnes of bleached hardwood kraft or BHK pulp should enhance and cushion earnings growth amidst pulp price hikes and volatility. We expect TKIM's NPMs to expand by 1.3% and 6.4% in 2025-2026, resulting in earnings growth of 7.4% and 12% YoY – this should be supported by OKI's additional sales volumes from the new capacity.

UNTR: We still see the possibility of a price recovery, driven by seasonality factors, prices may rise in early 2H25. For UNTR, the continued strength of mining activities in Indonesia, supported by the country's efforts to boost export revenues, remains a key driver for profitability. This is coupled with improved growth in gold and nickel ore mining volumes. The counter is trading at c.4x, below its 5-year average of c.7x and undemanding P/E target at c.6x.

SSIA: We believe a potentially intensifying US-China trade war benefits industrial estate players in Indonesia such as Surya Semesta. The Ministry of Investment has set a target investment growth of 15% YoY for 2025. Back in 2019, China's direct investment in Indonesia grew 100% YoY to USD4.7bn, making it the second-largest investor in the country after Japan. BYD's 126ha investment in 2024 could attract similar industries to invest, supporting SSIA's 100ha per year land sales target. BYD's investment in Apr 2024 of 108ha, along with another 18ha in 4Q24, is expected to attract more EV players to invest in Subang, in our view.

Figure 24: Oversold counters but fundamentally strong

Name	Ticker	Rating	Price	TP	Upside/ downside	Market cap	EPS growth	P/E	2025F			
			(IDR)	(IDR)	(%)	(USDbn)	(%)	(x)	(x)	PEG	ROAE	Yield
United Tractors	UNTR IJ	BUY	21,800	33,000	51.4	4.8	0.6	4.1	0.8	6.4	20.9	9.7
Merdeka Copper Gold	MDKA IJ	BUY	1,220	2,200	80.3	1.8	(289.7)	52.8	1.8	(0.2)	3.4	-
Pabrik Kertas Tjiwi Kimia	TKIM IJ	BUY	4,500	8,475	88.3	0.8	1.4	4.4	0.3	3.1	7.2	0.6
Surya Semesta Internusa	SSIA IJ	BUY	760	1,300	71.1	0.2	22.8	8.7	0.7	0.4	6.9	-

Note: As per 10 Apr 2025 closing price

Source: Company data, RHB

Figure 25: The most sold-off stocks under our coverage after US President Trump's trade tariffs announcement

Ticker		4/10/2025	3/27/2025	Change
		(IDR)	(IDR)	%
1	SMGR IJ	2,160	2,650	-18.49%
2	MDKA IJ	1,220	1,430	-14.69%
3	INCO IJ	2,040	2,270	-10.13%
4	BUKA IJ	129	143	-9.79%
5	MAPA IJ	600	660	-9.09%
6	SSIA IJ	760	830	-8.43%
7	TKIM IJ	4,500	4,900	-8.16%
8	ADRO IJ	1,700	1,845	-7.86%
9	UNTR IJ	21,800	23,550	-7.43%
10	SMRA IJ	366	394	-7.11%

Source: Bloomberg, RHB

Figure 26: The most sold-off stocks under our coverage (YTD)

Ticker		4/10/2025	12/30/2024	Change
		(IDR)	(IDR)	%
1	MAPA IJ	600	1,070	-43.93%
2	INCO IJ	2,040	3,620	-43.65%
3	SSIA IJ	760	1,345	-43.49%
4	ISAT IJ	1,455	2,480	-41.33%
5	HEAL IJ	1,015	1,630	-37.73%
6	ACES IJ	500	790	-36.71%
7	SMGR IJ	2,160	3,290	-34.35%
8	INTP IJ	5,025	7,400	-32.09%
9	UNVR IJ	1,285	1,885	-31.83%
10	ADRO IJ	1,700	2,430	-30.04%

Source: Bloomberg, RHB

Economics

Disappointing retail sales and external risk weigh on growth

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We further downgrade Indonesia's GDP growth forecast for 2025 to 4.5% – down from our previous estimate of 4.9% – with risks skewed to the downside (potentially towards the 3-3.5% range) should global trade tensions re-escalate. Our rough estimates under the base case scenario suggests the impact of US reciprocal tariffs could result in a 0.5-0.7% downside to Indonesia's GDP. The impact under the worst-case scenario operates through the same mechanism as the base case – but with greater severity.

Our outlook for inflation and monetary policy remains broadly unchanged. We maintain our 2025 headline and core inflation forecasts at 2% and 2.40% YoY. On the policy front, we reaffirm that BI will deliver three additional 25bps rate cuts in 2025 – one per quarter – bringing the benchmark interest rate to 5% by year's end.

Figure 27: Key economic forecasts

	2024	2025F	2026F	1H25F	2H25F	1H26	2H26
Real GDP growth	5.0	4.5	5.0	4.6	4.4	5.0	5.0
Contribution to real GDP growth (%)							
Private consumption	2.5	2.4	2.6	2.5	2.4	2.6	2.5
Investment	2.0	1.7	1.9	1.8	1.6	2.0	1.8
Government consumption	0.7	0.2	0.4	0.2	0.3	0.3	0.4
Net exports	-0.1	0.1	0.2	0.1	0.1	0.1	0.3
CPI	2.3	2.0	2.5	1.8	2.2	2.6	2.4
Policy interest rate	6.00	5.00	4.50	5.50	5.00	4.50	4.50
Current account balance (% of GDP)	-0.6	-1.5	-1.4	-1.2	-1.7	-1.3	-1.5
Fiscal balance (% of GDP)	-2.3	-2.7	-2.7	1.3	-6.7	2.0	-7.4

Source: CEIC Data (CEIC), RHB Economics & Market Strategy

We further downgrade Indonesia's GDP growth forecast for 2025 to 4.5%, down from our previous estimate of 4.9%, with risks skewed to the downside – potentially towards the 3-3.5% range – should global trade tensions re-escalate. Three key catalysts underpin our revised growth outlook: i) Weakening external demand due to US tariff policies, ii) deteriorating domestic market sentiment, and iii) delays in the rollout of consumption-driven government initiatives. While there is a temporary pause in the rollout of higher reciprocal tariffs – from the originally proposed 32% to a baseline universal tariff of 10% – we continue to see elevated policy uncertainty under the Trump administration, as the existing plan remains vulnerable to abrupt changes. We anchor our projections to a scenario-based framework, as the global section outlines, to mitigate the need for frequent forecast revisions in response to shifting policy dynamics. This includes a base-case scenario where the universal tariff is moderately adjusted to 20% in 2H25, a worst-case scenario in which reciprocal tariffs revert to the original 32% level following the expiration of the 90-day pause, and a less probable optimistic case, which assumes a de-escalation in trade tensions.

Our rough estimates under the base case scenario suggest that the impact of US reciprocal tariffs could result in a 0.5-0.7% downside to Indonesia's GDP. Notably, the direct effect of US tariffs on Indonesian exports is expected to be limited, given the country's relatively low trade exposure to the US. In contrast, spillover effects from a slowdown in China's economy pose a significantly greater risk. The East Asian nation accounts for approximately 25% of Indonesia's total trade and remains the largest importer of key commodities such as coal, nickel, and ferroalloys. The newly imposed 145% US tariff on Chinese goods could jeopardise bilateral trade activity, ultimately dampening China's demand for commodity imports from Indonesia. This downside risk is further compounded by a marginal slowdown among other key trading partners as global trade tensions weigh on industrial production, weaken commodity demand and prices, and collectively contribute to a softer external outlook for Indonesia.

The impact under the worst-case scenario operates through the same mechanism as the base case but with greater severity. This scenario assumes an escalation of tit-for-tat retaliatory tariffs between the US and China, with spillovers extending to ASEAN economies – including Indonesia – which may face higher tariffs from the US due to being labelled as

alternative supply routes for China. Under this assumption, Indonesia's external outlook deteriorates sharply as global commodity demand experiences a steeper decline. A global recession, exacerbated by severe supply chain disruptions, would significantly dampen industrial activity, resulting in the most pronounced downside risk to the country's export performance and overall economic growth, with the GDP potentially lowered toward the 3-3.5% range.

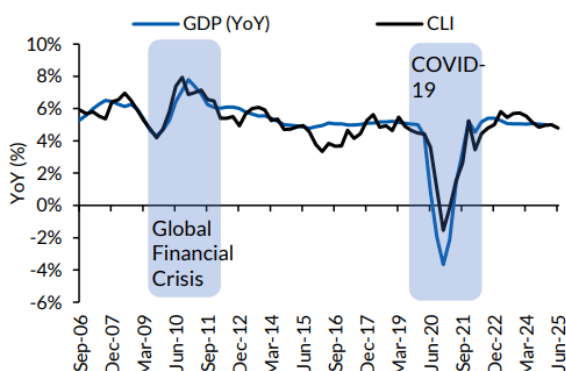
The growth outlook remains subdued on the domestic front due to deteriorating market sentiment and delays in consumption-driven government initiatives. According to the Indonesian Retailers Association (APRINDO), FMCG sales during this year's *Lebaran* period fell significantly short of expectations, with trade volumes 5-8% lower than last year. APRINDO Chairman Solihin attributed the decline in retail spending to unfavourable economic conditions, noting a shift in consumer behaviour toward necessities and a reduction in discretionary spending – driven by increased precautionary savings. With this, we see a growing downside risk to household consumption for 2025, especially given that *Lebaran* typically marks the peak of annual consumer spending. With performance during this key period falling short, we expect its contribution to economic growth over the remainder of the year to be less substantial. Additionally, we maintain that government expenditure weakened due to slower fund utilisation from the free nutritious food programme or MBG and reduced ministerial spending following the President Prabowo's budget efficiency decree. The fiscal multiplier effect will likely be significantly diminished and delayed with constrained fiscal support, leading to muted growth contributions from government expenditures.

Our outlook for inflation and monetary policy remains broadly unchanged. We maintain our 2025 headline and core inflation forecasts at 2% and 2.40% YoY. The inflation trajectory is underpinned by three key factors: i) Policy-induced deflationary pressures, ii) the absence of significant upside risks in food prices, and iii) a stable core inflation path. We expect Indonesia's consumer prices to remain broadly stable throughout the year, likely within the official target range of 1.5-3.5%, as recent government policy adjustments have materially reduced upside risks to headline inflation.

On the policy front, we reaffirm that BI will deliver three additional 25bps rate cuts in 2025 – one per quarter – bringing the benchmark interest rate to 5% by year's end. While the current low inflation and slower growth environment provide room for monetary easing, we expect the central bank to maintain a cautious stance amid elevated external uncertainties. As such, we anticipate that rates will remain on hold through the end of 2Q25, with risks tilted toward a potential delay in the rate-cut cycle until late 3Q25, particularly as both external and domestic sentiment weigh on the IDR's performance.

On the fiscal front, we maintain our forecast for Indonesia's fiscal deficit in 2025 at 2.70% of nominal GDP, slightly above the official target of 2.53%. The YTD fiscal update as of March indicates a %MoM rebound in total government and tax revenues – an improvement from the sharp decline recorded in February. However, on a percentage YoY basis, the figures still show a double-digit decline when compared to the previous year, suggesting that – while there are early signs of recovery – more sustained improvements are needed. Greater clarity and closer monitoring of upcoming fiscal data will be essential to assess the overall health of public finances and the government's ability to meet its fiscal targets.

Figure 28: Indonesia's CLI confirmed a marginal pickup of GDP momentum in 4Q24, while expecting the economic growth to soften into 1H25



Source: CEIC, RHB Economics & Market Research

Figure 29: Household consumption and investment spending remain the primary contributors

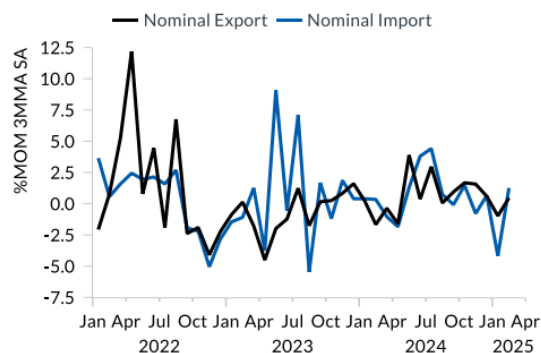


Source: Macrobond, RHB Economics & Market Research

23 April 2025

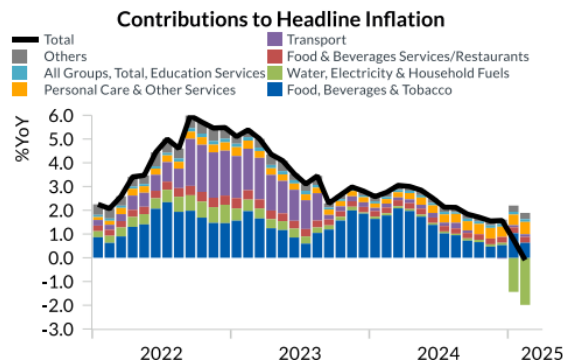
Market Outlook | Market Strategy

Figure 30: We remain cautious on Indonesia's external trade as uncertainty surrounding the US tariff policies could potentially dampen external demand



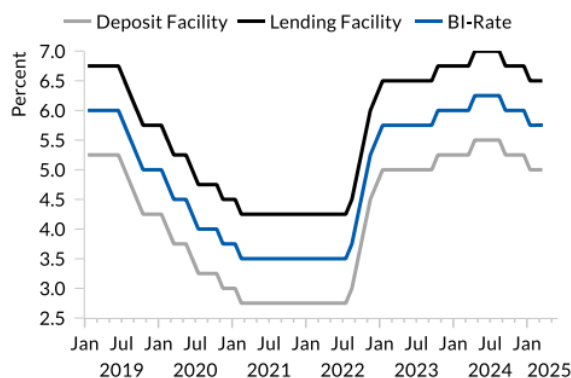
Source: Macrobond, RHB Economics & Market Research

Figure 31: We expect no significant upside on the headline inflation trajectory, given policy-induced deflationary pressures and stabilised food price



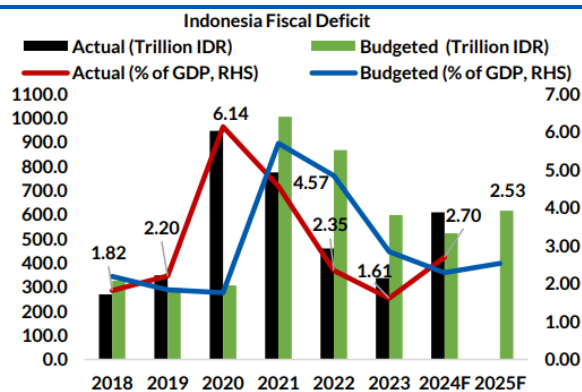
Source: Macrobond, RHB Economics & Market Research

Figure 32: We maintain our forecast that BI will implement three additional 25bps rate cuts in 2025



Source: Macrobond, RHB Economics & Market Research

Figure 33: We keep our forecast for Indonesia's fiscal deficit at 2.70% for 2025



Source: CEIC, RHB Economics & Market Research

Key Risks

Trump 2.0 policies ignite stagflation fears

The Trump administration's erratic policy implementation, ranging from his tariff flip-flops, mass layoffs of US federal employees, and immigration crackdown has spiked risks that US economic growth would be adversely affected, resulting in higher unemployment coupled with persistent inflation risks. A stagflation scenario would complicate the monetary policy messaging from the US Federal Reserve (US Fed). This raises the risk of policy error and limits the ability of the US central banking system to accurately signal policy directions to establish market expectations. Shifts in the US Fed policy would increase volatility and destabilise equity markets. Attempts by the executive branch to undermine the central banking system's independence could lead to a crisis of confidence and destabilise financial markets.

Trump 2.0 policies destabilise established post-WW2 order

Recent moves by the Trump administration to intimidate allies through tariff threats and realigning with Russia risks replacing the cooperative rules-based post-World War 2 (WW2) order built of multilateralism, alliances, and shared democratic values with a more fragmented, transactional system focusing on unilateralism. This could empower authoritarian regimes and risk collective solutions to common global challenges that could create a climate of mistrust and instability.

Slower-than-expected global growth

Global trade remains highly correlated to USD-led financial conditions. The escalation of a global trade war by the Trump administration will drag on global growth, cut productivity gains, and boost inflation. Slower global growth will impact corporate earnings and equity valuations.

Slower-than-expected China economic recovery

Potential US tariffs on exports from China could drag on its economic growth. Rising deflationary risks in China would, in turn negatively affect growth prospects of ASEAN economies, given the former's importance as a key trading partner. China is a major off-taker of ASEAN exports, an important source of investment capital, and major source of outbound tourists into ASEAN.

Worsening US-China ties

A further worsening of the US-China relationship beyond trade and technology issues could have profound consequences for global trade relationships and geopolitical stability. There are ample sources of friction between the two sides that include Taiwan, Hong Kong, Xinjiang, Tibet, the South China Sea, trade, and technology. US-China tensions have escalated following the re-election of Donald Trump. The two countries' relationship is an evolving one, and investor sentiment could turn more cautious. Businesses may delay their investment plans should ties worsen. However, some sectors may benefit from the acceleration of the China Plus One strategy that seeks to reduce reliance on China and aims to diversify into other countries.

Middle East tensions and oil price volatility

Renewed escalation of tensions in the Middle-East would significantly spike global risks that could lead to higher oil prices and disruptions to global trade. Prolonged high oil price levels, higher freight costs, and disruption to shipping will have negative implications for global growth and add to inflationary pressures.

Indonesia: Political and policy risks

Global investors are pausing investments in Indonesia due to concerns over President Prabowo's policy shifts, including the establishment of the Danantara sovereign wealth fund

and significant budget reallocations. These moves have raised fears of political interference and weakened fiscal discipline, leading to market volatility and a decline in foreign investor confidence. The JCI has experienced substantial losses, and IDR has depreciated – reflecting broader apprehensions about Indonesia's economic direction and governance under the current administration.

Indonesia: Weakening domestic demand

Indonesia's domestic demand is likely to weaken post-*Lebaran*, reflecting cautious consumer behaviour and a shift towards essentials. This is compounded by delays in government spending, especially from the MBG programme, and tighter ministerial budgets. Together, these factors are dampening consumption – the largest GDP driver – and pose downside risks to growth unless policy execution improves and confidence rebounds.

Appendix

Economic data and estimates

Figure 34: RHB's GDP growth forecasts vs Bloomberg's consensus forecasts

RHB GDP growth					Bloomberg consensus				
%YoY	2023	2024	2025F	2026F	%YoY	2023	2024	2025F	2026F
US	2.9	2.7	1.5	2.0	US	2.9	2.7	2.2	2.0
Western Europe	1.1	1.0	0.5	1.5	Western Europe	1.1	0.8	1.1	1.4
Japan	1.7	0.0	0.8	1.1	Japan	1.7	-0.2	1.2	0.9
China	5.4	5.0	4.0(-)	4.6	China	5.4	5.0	4.5	4.2
ASEAN					ASEAN				
Indonesia	5.1	5.0	4.5	5.0	Indonesia	5.1	5.0	5.0	5.1
Malaysia	3.6	5.1	4.5	4.9	Malaysia	3.6	5.1	4.7	4.6
Singapore	1.8	4.4	2.0	2.6	Singapore	1.8	4.4	2.6	2.3
Thailand	2.0	2.5	2.0	2.6	Thailand	2.0	2.5	2.8	2.7

Source: Bloomberg, RHB Economics & Market Strategy

Figure 35: RHB's government bond yield forecasts vs Bloomberg's consensus forecasts

10-year government bond		RHB				10-year government bond		Bloomberg consensus			
		2Q25F	3Q25F	4Q25F	2026F			2Q25F	3Q25F	4Q25F	2026F
United States		4.00	3.90	3.80	3.00-3.50	United States		4.29	4.28	4.26	4.13
Malaysia		3.75	3.75	3.75	3.75	Malaysia		3.80	3.78	3.73	3.68
Singapore		2.60	2.50	2.40	2.30	Singapore		2.74	2.70	2.62	2.56
Indonesia		6.88	6.74	6.61	6.35	Indonesia		6.81	6.74	6.60	6.40
Thailand		2.22	2.21	2.01	2.00	Thailand		2.32	2.32	2.30	2.35

Source: Bloomberg, RHB Economics & Market Strategy

Figure 36: RHB's USD/Asia forecasts vs Bloomberg's consensus forecasts

G10FX	1Q25	RHB Forecasts				Bloomberg Forecasts			
		2Q25F	3Q25F	4Q25F	2026F	2Q25F	3Q25F	4Q25F	2026F
DX	104.3	103.5	102.5	101.5	100.0	107.6	106.6	104.1	101.7
EUR-USD	1,081	1,092	1,107	1,123	1,146	1,080	1,080	1,100	1,120
USD-JPY	150.6	149.0	146.8	144.7	141.6	148.0	146.0	144.0	140.0
GBP-USD	1,292	1,295	1,306	1,318	1,335	1,280	1,290	1,300	1,330
AUD-USD	0.629	0.615	0.622	0.629	0.639	0.630	0.640	0.640	0.680
NZD-USD	0.573	0.560	0.566	0.572	0.582	0.570	0.570	0.580	0.600
AXJ FX	1Q25	2Q25F	3Q25F	4Q25F	2026F	2Q25F	3Q25F	4Q25F	2026F
USD-CNH	7,267	7,348	7,313	7,277	7,223	7,350	7,400	7,350	7,240
USD-IDR	16,555	16,811	16,779	16,746	16,697	16,600	16,500	16,500	16,000
USD-MYR	4,440	4,455	4,370	4,286	4,161	4,480	4,460	4,400	4,360
USD-SGD	1,339	1,345	1,326	1,310	1,286	1,350	1,360	1,350	1,330
USD-THB	34.01	34.31	34.13	33.94	33.66	34.60	34.50	34.60	33.40
USD-VND	25,648	25,879	25,748	25,615	25,416	25,775	25,725	25,675	25,390

Note: The above forecasts are indicative of the average in the quarter

Source: Bloomberg, RHB Economics & Market Strategy

Figure 37: RHB's Consumer Price Index (CPI) inflation forecasts vs Bloomberg's consensus forecasts

RHB CPI Inflation Forecasts					Bloomberg Consensus				
%YoY	2023	2024	2025F	2026F	%YoY	2023	2024	2025F	2026F
US	4.1	2.9	3.2	2.5	US	4.1	2.9	2.9	2.6
Western Europe	5.7	2.3	2.2	2.1	Western Europe	5.7	2.3	2.2	2.0
Japan	3.3	2.7	2.5	2.0	Japan	3.3	2.7	2.6	1.9
China	0.2	0.2	1.0	1.5	China	0.2	0.2	0.6	1.2
ASEAN					ASEAN				
Indonesia	3.7	2.3	2.0	2.5	Indonesia	3.7	2.3	2.1	2.7
Malaysia	2.5	1.8	2.2	2.3	Malaysia	2.5	1.8	2.4	2.3
Singapore	4.8	2.4	1.6	1.8	Singapore	4.8	2.4	1.6	1.8
Thailand	1.3	0.4	1.4	1.6	Thailand	1.3	0.4	1.1	1.2

Source: Bloomberg, RHB Economics & Market Strategy

Figure 38: RHB's policy interest rate forecasts vs Bloomberg's consensus forecasts

RHB Policy Rate Forecast					Bloomberg Consensus				
%YoY	2023	2024	2025F	2026F	%YoY	2023	2024	2025F	2026F
US	5.50	4.25-4.50	3.50-3.75	3.00-3.25	US	5.50	4.55	4.05	3.60
Western Europe	4.50	3.25	2.00	2.00	Western Europe	4.50	3.00	2.35	2.30
Japan	0.00	0.25	1.00	1.00	Japan	0.00	0.30	0.90	1.00
China	3.45	3.10	2.00	2.60	China	3.45	3.10	2.75	2.60
ASEAN					ASEAN				
Indonesia	6.00	6.00	5.00	4.50	Indonesia	6.00	6.00	5.30	5.10
Malaysia	3.00	3.00	3.00	3.00	Malaysia	3.00	3.00	3.05	3.05
Thailand	2.50	2.25	1.50	1.75	Thailand	2.50	2.25	1.90	1.75

Source: Bloomberg, RHB Economics & Market Strategy

Indonesia Research coverage and peers' comparison

Figure 39: Indonesia coverage – comparison table (i)

Ticker	Rating	Price (IDR)	Target price (IDR)	Upside (%)	Market Cap (IDRtrn)	FY25F P/E (x)	FY25F P/BV (x)	FY25F ROE (%)	FY25F Yield (%)
Financials services					2,388.1	12.4	2.4	19.2	6.6
BBRI IJ	Buy	3,800	4,600	21.1%	575.9	9.3	1.5	17.4	8.9
BMRI IJ	Buy	5,025	5,880	17.0%	469.0	7.8	1.6	20.5	9.6
BBCA IJ	Buy	8,225	11,680	42.0%	1,013.9	17.7	3.6	20.9	3.9
BBNI IJ	Buy	4,260	5,200	22.1%	158.9	6.8	0.9	14.2	9.2
BRIS IJ	Buy	2,280	3,500	53.5%	105.2	12.6	2.1	18.1	0.8
BBTN IJ	Buy	880	1,310	48.9%	12.4	4	0.3	8.5	6.1
BNGA IJ	Buy	1,690	2,300	36.1%	42.1	5.7	0.8	13.6	9.5
BJBR IJ	Sell	815	670	-17.8%	8.6	5.7	0.5	8.3	10.4
BBYB IJ	Trading Buy	174	360	106.9%	2.2	10.2	0.6	6.3	-
Basic materials					90.5	26.6	1.3	6.9	2.9
ANTM IJ	Buy	1,860	2,160	16.1%	50.2	12.9	1.4	11.6	6.8
INCO IJ	Buy	2,040	3,800	86.3%	21.5	15.2	0.5	3.1	-
MDKA IJ	Buy	1,220	2,200	80.3%	29.9	52.8	1.8	3.4	-
Cement					37.8	6.0	0.7	11.9	9.1
INTP IJ	Buy	5,025	6,000	19.4%	18.5	6.7	0.7	12.1	10.2
SMGR IJ	Buy	2,160	2,900	34.3%	14.6	3.9	0.3	7.7	8.6
ARNA IJ	Buy	640	870	35.9%	4.7	9.8	2.2	24.2	6.1
Pulp & Paper					40.2	3.6	0.2	7.8	1.0
INKP IJ	Buy	4,790	13,625	184.4%	26.2	3.1	0.2	8.1	1.2
TKIM IJ	Buy	4,500	8,475	88.3%	14.0	4.4	0.3	7.2	0.6
Consumer Cyclical					53.0	8.9	1.6	19.8	2.4
ACES IJ	Trading Buy	500	900	80.0%	8.6	9.4	1.1	15	5.5
MAPI IJ	Buy	1,275	1,750	37.3%	21.2	9	1.8	20.7	1.7
MAPA IJ	Buy	600	1,100	83.3%	17.1	9.4	2.0	23.2	1.4
ERAA IJ	Neutral	386	420	8.8%	6.2	6.1	0.7	13.7	3.3

Note: As per 10 April 2025 closing price

Source: Company data, RHB

Figure 40: Indonesia coverage – comparison table (ii)

Ticker	Rating	Price (IDR)	Target price (IDR)	Upside (%)	Market Cap (IDRtrn)	FY25F P/E (x)	FY25F P/BV (x)	FY25F ROE (%)	FY25F Yield (%)
Consumer Non-Cyclical					410.5	16.2	4.8	36.4	3.4
INDF IJ	Buy	7,075	9,150	29.3%	62.1	4.7	0.9	17	5.4
ICBP IJ	Buy	10,000	14,200	42.0%	116.6	11.5	2.2	21.1	4.1
MYOR IJ	Buy	2,080	2,800	34.6%	46.5	19.4	2.6	15.7	3.9
ROTI IJ	Neutral	950	1,150	21.1%	5.9	19	2.6	15.7	3.9
UNVR IJ	Neutral	1,285	1,580	23.0%	49.0	13.7	18.9	150.8	6.4
AMRT IJ	Buy	2,290	3,800	65.9%	95.1	27.6	4.8	25	-
CMRY IJ	Buy	4,440	5,700	28.4%	35.2	19.7	4.5	24.1	2.3
Tobacco					84.9	6.0	1.6	27.5	13.3
GGRM IJ	Sell	9,525	13,700	43.8%	18.3	4.2	0.3	6.7	12.6
HMSP IJ	Buy	560	970	73.2%	65.1	6.6	2	33.5	13.6
WIIM IJ	Buy	675	1,380	104.4%	1.4	2.9	0.6	20.9	8.5
Poultry					91.6	15.0	1.9	13.9	2.4
CPIN IJ	Buy	4,180	5,800	38.8%	68.5	17.4	2.1	12.7	2.1
JPFA IJ	Buy	1,970	2,650	34.5%	23.1	7.9	1.3	17.5	3.4
Healthcare					117.2	18.5	3.1	17.6	3.1
HEAL IJ	Buy	1,015	1,800	77.3%	15.6	19.6	2.9	15.6	1.6
MIKA IJ	Buy	2,260	3,500	54.9%	31.4	25.5	4.0	17	1.4
KLBF IJ	Buy	1,145	1,830	59.8%	53.7	15.4	2.1	14.1	3.4
SIDO IJ	Neutral	550	620	12.7%	16.5	14.5	4.6	32.2	6.5
Infrastructure					343.2	11.6	1.4	13.9	5.6
TLKM IJ	Buy	2,350	3,280	39.6%	232.8	10.1	1.6	16.1	7.2
EXCL IJ	Buy	2,280	2,950	29.4%	29.9	16.1	1.1	6.3	3.1
ISAT IJ	Buy	1,455	2,780	91.1%	46.9	9.2	1.3	14.7	5
JSMR IJ	Neutral	3,800	4,900	28.9%	27.6	24.8	0.9	3.8	-
SSIA IJ	Buy	760	1,300	71.1%	3.6	8.7	0.7	6.9	-
KEEN IJ	Buy	650	850	30.8%	2.4	6.3	0.7	12	2
Industrials					200.0	5.5	0.9	16.3	7.1
ASII IJ	Neutral	4,710	5,200	10.4%	190.7	5.5	0.9	16.5	7.2
AUTO IJ	Buy	1,905	2,800	47.0%	9.2	5.5	0.6	11.6	5.7

Note: As per 10 April 2025 closing price

Source: Company data, RHB

Figure 41: Indonesia coverage – comparison table (iii)

Ticker	Rating	Price (IDR)	Target price (IDR)	Upside (%)	Market Cap (IDRtrn)	FY25F P/E (x)	FY25F P/BV (x)	FY25F ROE (%)	FY25F Yield (%)
Coal					190.8	4.3	0.8	18.1	12.2
PTBA IJ	Trading Buy	2,680	3,100	15.7%	30.9	6.8	1.3	20.2	11
ADRO IJ	Buy	1,700	3,900	129.4%	52.3	2.9	0.4	14.2	17.8
ITMG IJ	Trading Buy	23,275	27,810	19.5%	26.3	5.0	0.7	14.9	10.3
UNTR IJ	Buy	21,800	33,000	51.4%	81.3	4.1	0.8	20.9	9.7
Energy					88.1	6.2	1.0	15.5	8.0
AKRA IJ	Buy	1,100	1,500	36.4%	22.1	8.4	1.8	22.1	7.3
PGAS IJ	Buy	1,550	1,700	9.7%	37.6	5.9	0.8	11.9	10.6
MEDC IJ	Buy	1,055	1,200	13.7%	25.5	5.0	0.7	15.2	4.6
ELSA IJ	Buy	408	560	37.3%	3.0	3.9	0.5	14.7	10
Property					53.0	6.2	0.6	11.3	1.8
BSDE IJ	Buy	755	1,430	89.4%	16.0	6.9	0.6	9.6	-
CTRA IJ	Buy	795	1,330	67.3%	14.7	5.4	0.6	11.6	2.0
PWON IJ	Buy	328	510	55.5%	15.8	6.9	0.6	9.6	-
DMAS IJ	Buy	135	200	48.1%	6.5	4.6	0.8	18.6	9.8
Plantation					17.8	7.0	0.5	7.5	5.8
AALI IJ	Neutral	5,450	6,150	12.8%	10.5	8.6	0.5	5.0	5.0
LSIP IJ	Buy	1,075	1,530	42.3%	7.3	4.8	0.5	11.0	7.0
Technology					17.6	51.7	0.8	7.1	2.1
BUKA IJ	Buy	129	180	39.5%	13.3	66.1	0.5	0.8	-
MSTI IJ	Buy	1,370	1,800	31.4%	4.3	7.1	1.8	26.6	8.4

Note: As per 10 April 2025 closing price

Source: Company data, RHB

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