

15 February 2024

Market Outlook | Market Strategy

Market Strategy

Quick Count: Prabowo Wins Election In One Round

Stocks Covered 73
 Rating (Buy/Neutral/Sell): 58 / 14 / 1
 Last 12m Earnings Revision Trend: Neutral

- **According to quick counts**, Prabowo Subianto-Gibran Rakabuming Raka won the presidential election with c.58% of the vote vs Anies Baswedan-Muhaimin Iskandar (c.25%) and Ganjar Pranowo-Mahfud MD (c.16%). The official real result count will be announced by the Indonesia Election Commission in March, marking the end of the electoral process that involved 204.8m votes. The 1-round election should reduce political uncertainty and may spark a rally on the JCI. Our sector picks include banks (Top Picks: Bank Negara Indonesia (BNI) and Bank Rakyat Indonesia (BRI)), cement (Semen Indonesia (SMGR)), and companies that benefited from mineral downstreaming, ie Vale Indonesia (INCO), Aneka Tambang (ANTM), and Merdeka Copper Gold (MDKA).
- **Prabowo-Gibran are performing significantly better** than the most recent presidential electability polls. Our review of the most recent presidential electability polls (various sources), indicate that #02: Prabowo-Gibran has the potential to surpass the 50% threshold by February. While the electability of #01: Anies-Muhaimin and #03: Ganjar-Mahfud appears competitive, they have yet to pose a significant challenge to the #02 pair.
- **Prabowo-Gibran prioritises strategic infrastructure**, quality job creation, and long-term growth for a fair and prosperous society to achieve “Golden Indonesia” by 2045. Guided by the *Bersama Indonesia Maju Menuju Indonesia Emas 2045* vision, the winners seek to positively impact Indonesia’s equity market. This includes ensuring continuous infrastructure development, achieving net zero emissions, creating quality jobs, promoting resource downstreaming, fostering grassroots economic growth, and implementing societal reforms. #02 support health equality and anticipates growth in the infrastructure and real estate sectors for the new capital city or IKN. Furthermore, advancements in metal mining downstreaming, biodiesel, and renewable energy in the EV sector can improve competitiveness in Indonesia’s green and digital economies.
- **The quick count** reveals a potential shift in parliamentary dynamics. According to LSI’s quick count results (up to 14 Feb; 9pm), four parties from #02’s coalition crossed the 4% threshold vs four parties from the opposition. Indonesian Democratic Party of Struggle (PDIP) currently has the most votes (17.5%), followed by Golkar (15.1%) and Gerindra (13.7%). If the current trend continues, Parliament may be dominated by the opposition, implying stricter oversight on decision-making and presidential policies. PDIP’s ability to maintain its lead raises concerns amid voting volatility and the declining popularity of #03, indicating fierce competition – a victory could result in a significant decrease from its 2019 lead.
- We reiterate our **OVERWEIGHT** view on Indonesia equities, with an unchanged end-2024 JCI target of IDR7,900 (10% upside). Key OVERWEIGHT sectors are banks, cement, infrastructure, property, metal mining, oil & gas, pulp & paper, and property.

2024 Indonesia election



Analyst

Andrey Wijaya
 +6221 5093 9846
andrey.wijaya@rhbgroup.com



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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	1,970	20.5	10.5	2.3	23.5	4.0
Aneka Tambang	Buy	2,660	72.2	8.8	0.7	9.1	1.1
Astra International	Buy	7,100	36.5	6.9	1.0	15.2	6.7
Bank Rakyat Indonesia	Buy	6,450	7.5	12.7	2.5	19.6	5.6
Ciputra Development	Buy	1,330	6.0	9.4	1.0	11.6	1.0
Indah Kiat Pulp & Paper	Buy	22,975	189.0	3.8	0.4	12.3	0.7
Mayora Indah	Buy	3,000	29.3	20.3	3.4	17.8	2.6
Semen Indonesia	Buy	9,300	51.2	13.3	0.9	6.8	2.8
Sumber Alfaria Trijaya	Buy	3,500	34.1	36.3	6.3	25.1	-
XL Axiata	Buy	3,140	35.9	13.1	1.1	8.4	2.2

Source: Company data, RHB

Overview Of Indonesia's Election 2024

As of 14 Feb, 2024, 8m votes were cast for the president and three legislative bodies. According to several quick count results, #02: Prabowo-Gibran have received a majority of the votes with an average of more than 55%. The following are the profiles, vision, mission, and priority programmes that they plan to implement once they take office.

Figure 1: Profiles of candidates #02: Prabowo-Gibran

Candidate Number	Name	Position	Profile
#02	Prabowo Subianto	Presidential Candidate	Prabowo is an Indonesian politician and businessman. He served in the Indonesian Armed Forces (TNI) for 28 years, retiring as a 3-Star Lieutenant General. Prabowo was also a Commander in the TNI's elite force, the Kopassus. He currently serves as Minister of Defence. Prabowo's family has been involved in government since Soekarno and Suharto's reigns. His grandfather, Soemitro, was Minister of Finance under the two former president while his other grandfather, RM Margono Djohadikusumo, founded Bank Indonesia in 1946, now known as BNI 46.
	Gibran Rakabuming Raka	Vice-Presidential Candidate	Gibran is the Mayor of Surakarta (2021 to his end-term ion 2026). He is President Joko Widodo's eldest son with First Lady Iriana. His political career began in 2020 as a mayoral candidate for the PDIP party against a non-partisan candidate pair. Gibran won the election with 86.5% of the vote and began serving the following year.

Source: RHB, Bijakmemilih.com

Candidates #02: Prabowo-Gibran vision and work programme

With the vision of *Bersama Indonesia Maju Menuju Indonesia Emas 2045*, candidate pair #02 has eight main missions:

- i. Strengthening the ideologies of the *Pancasila*, Democracy, and Human Rights;
- ii. Strengthening the country's defence and security systems and encouraging national independence through self-sufficiency in food, energy, water, and the *shariah*, digital, green, and blue economies;
- iii. Continuing infrastructure development and increasing quality employment opportunities, encouraging entrepreneurship, developing creative industries, and developing agro-maritime industry in production centres through the active role of cooperatives;
- iv. Strengthen the development of human resources, science, technology, education, health, sports achievements, gender equality, as well as strengthening the role of women, youth (millennials and Generation Z), and people with disabilities;
- v. Continue downstreaming and developing natural resource-based industries to increase added value to the country;
- vi. Building from the village and from below for economic growth, economic equality, and poverty eradication;
- vii. Strengthen political, legal, and bureaucratic reforms, as well as strengthening the prevention and eradication of corruption, drugs, gambling, and smuggling;
- viii. Strengthen the harmonious alignment of life with the environment, nature, and culture, as well as increasing tolerance between religious communities to achieve a just and prosperous society.

Prabowo-Gibran focuses their vision and mission on achieving the Golden Indonesia aspirations through 17 priority programmes:

- i. **Achieving Self-Sufficiency in Food, Energy, and Water.** Through this programme, Prabowo-Gibran have pointed out several main strategies, including:
 - a. A Food Estate programme, with target of achieving minimum additional cultivation area of 4m ha by 2029;
 - b. Biodiesel and bio-aviation development programme;
 - c. Utilisation of energy from water, wind, ocean waves, sunlight, and geothermal sources;
 - d. Effective water management strategies to prevent drought during dry season and floods;

These programmes will significantly impact the CPO industry, as palm oil will be a primary material in the production of biodiesel, specifically B30 and B50. Additionally, industries benefiting from this programme also include the renewable energy sector – promoting the use of environmentally friendly alternative energy across various business sectors. However, this programme might give negative impact for the coal industry as the nation shifts towards more clean and renewable energy;

- ii. **Refinement in the national revenue collection system.** Prabowo-Gibran aims to boost the state revenue-to-GDP ratio by 23% through various initiatives, including: a) Reforms in policy and tax systems and b) implementation of tax incentives to support SMEs;

These initiatives, through tax system efficiency and SME-friendly tax incentives, can drive economic growth, create jobs, and potentially increase purchasing power, thereby stimulating demand across industries;

- iii. **Political, legal, and bureaucratic reforms.** To achieve equality and ease of access in politics, Prabowo-Gibran emphasise several key points: a) Facilitating community participation in decision-making on public matters and b) implementing digitisation with integrated data to ensure an efficient, professional, and integrated bureaucracy;
- iv. **Prevention and eradication of corruption.** Through this vision-mission, Prabowo-Gibran aim to provide additional funding to accelerate national anti-corruption efforts, with a balanced focus on prevention and decision enforcement;
- v. **Poverty eradication.** This programme will encompass improvements in education, healthcare, infrastructure, and more. It will allow to boost consumer demand across sectors. Prabowo-Gibran specific targets for this initiative:
 - a. Eradication of extreme poverty to 0% within the first two years of their administration;
 - b. Reduction of relative poverty to 5% by the end of 2029;
- vi. **Prevention and eradication of narcotics.** Prabowo-Gibran will initiate comprehensive and targeted efforts to prevent drug smuggling, combat distribution, and address drug usage, starting with raising awareness within families;

- vii. **Ensuring the availability of healthcare services for all Indonesians: Enhancing Social Insurance Administration (BPJS) Health and providing medication for the people.** Prabowo-Gibran aimsto enhance the Human Development Index by improving the BPJS Health programme and providing medication for the entire population of Indonesia;

This programme directly benefits the healthcare sector by enhancing BPJS Healthcare, ensuring easy access to healthcare services, and – subsequently – increasing demand for healthcare products and services;

- **Strengthening education, science, technology, and digitalisation.** In order to enhance the quality of education and proficiency in science and technology, several initiatives will be undertaken: a) Enhance teacher quality and development through improvements in educational facilities and accessibility, b) establish an endowment fund for education and Islamic boarding schools, c) allocate funds for cultural initiatives, d) provide an endowment fund for non-governmental organisations or NGOs, and e) aims to allocate 1.5-2% of GDP for research and innovation within five years;

- viii. **Enhancement of national defense and security, and maintenance of conducive international relations.**

- ix. **Empowerment of gender equality and protection of the rights of women, children, and persons with disabilities.** One of the key initiatives, the *Program Hasil Terbaik Cepat*, is designed to combat stunting. The programme focuses on improving child nutrition by providing free lunch and milk in schools and Islamic boarding schools, as well as nutritional aid for toddlers and pregnant women. The set target aims to benefit over 80m recipients with 100% coverage by 2029;

This programme is likely to have a positive impact on companies in the consumer goods sectors, with dairy products becoming a key focus. Additionally, the emphasis on improving nutrition for toddlers and pregnant women may lead to increased demand for vitamins and supplements which beneficial for healthcare sector;

- x. **Ensuring environmental conservation.** This programme serves as a commitment toward net zero emissions goals by reducing the carbon footprint and water footprint of various products, and improving the sustainable management of soil, water, and forests;

This programme has the potential to have a positive impact on the renewable energy sector, serving as an alternative energy source to reduce emissions. It may also impact the forestry sector, which has the potential to include emission-absorbing forests;

- xi. **Ensuring the availability of fertilisers, seeds, and pesticides directly to farmers;**

- **Ensuring the development of affordable, quality housing with proper sanitation for both rural and urban communities and those in need.** Prabowo-Gibran will focus on overall target of ensuring the construction or renovation of 3m housing units nationwide. This is achieved through: a) The annual construction/renovation of 25 houses per village/urban area (reaching 2m houses by the second year of the new administration) and b) construction of 500k landed houses and 500k vertical houses and rental flats or *rusunawa*;

This initiative has the potential to benefit companies in the construction and cement sectors. The rapid nationwide housing development in the next five years will notably boost the construction sector, leading to a higher demand for cement in various projects;

- **Continuing economic redistribution and empowering SMEs through business credit programmes, the development of the IKN, and the establishment of innovative, characteristic, and self-reliant cities.** Prabowo-Gibran's economic growth strategy focuses on: a) Enhancing agricultural credit programmes like *Kredit Usaha Tani*, *Kredit Usaha Peternakan*, *Kredit Usaha Perikanan*, and *Kredit Usaha Industri Hilir UKMI*; b) promoting nationwide development (including the IKN's continuation and 10 innovative cities) to ensure balanced growth;

The IKN development and broader infrastructure outside Java will benefit the construction sector, especially for state-owned enterprise construction firms for IKN contracts. We also see the cement industry gaining as they support the ongoing construction;

- **Continuing downstream and industrialisation based on natural resources, including maritime resources, to create extensive employment opportunities and achieve economic justice.** This programme offers significant opportunities for the mining industry by increasing demand for mining products generated from upstream-downstream industries, particularly in the domestic market. This programme can be achieved through: a) Increasing economic value, job creation, and various multiplier effects, including social impacts; b) downstream initiatives that involve ensured technology transfers, the developing of local human resources, and environmental preservation; and c) expanding downstream processing from nickel to include bauxite, copper, tin, agricultural products, and maritime goods.

- xii. **Ensuring religious harmony, freedom of worship, and the establishment, and maintenance of places of worship;**
- xiii. **Preservation of cultural arts, enhancement of the creative economy, and improvement of sports achievements.**

Election 2024 result

The conclusion of the election counting process – as reported by various survey institutions, with the vote percentage based on LSI Denny JA (with votes counted up to 96.1%) – reveals that #02: Prabowo-Gibran has the highest vote percentage of 58.2%. This achievement outperforms their competitors' percentages, with #01: Anies-Muhaimin receiving 25.2% of the vote while #03: Ganjar-Mahfud received 16.6%.

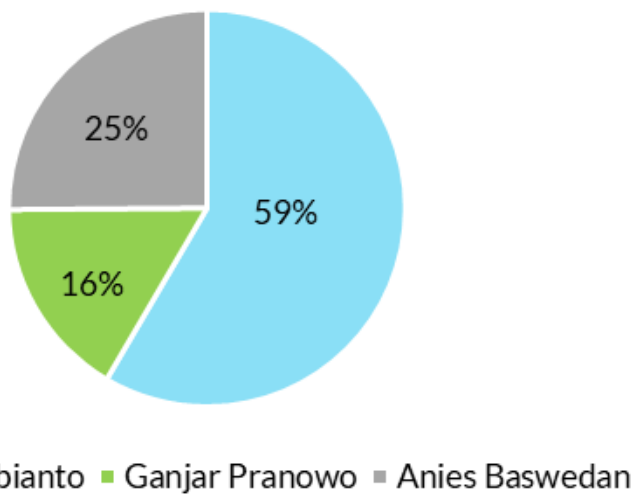
This comprehensive result shows that Prabowo-Gibran won the presidential election by receiving the highest percentage of votes among the three candidate pairs, bringing the 204.8m-vote electoral process to a close. Prabowo emphasised the importance of waiting patiently for the final results from the Indonesia Election Commission. He also conveys a commitment to maintaining the Republic of Indonesia's unity, regardless of ethnic, racial, or religious differences. Furthermore, despite differing opinions during the campaign, Prabowo emphasises the importance of national unity and reconciliation.

Figure 2: Quick count results

Candidate	Poltracking	Litbang	Indikator Politik	Charta Politika	PRC	LSI	Populi	LSI Denny	Average
Prabowo-Gibran	59.3%	58.7%	57.9%	57.8%	59.2%	57.4%	59.2%	58.2%	58.4%
Ganjar-Mahfud	16.4%	16.1%	16.6%	16.3%	16.5%	17.2%	15.7%	16.6%	16.4%
Anies-Muhaimin	24.4%	25.1%	25.6%	25.9%	24.3%	25.4%	25.1%	25.2%	25.1%

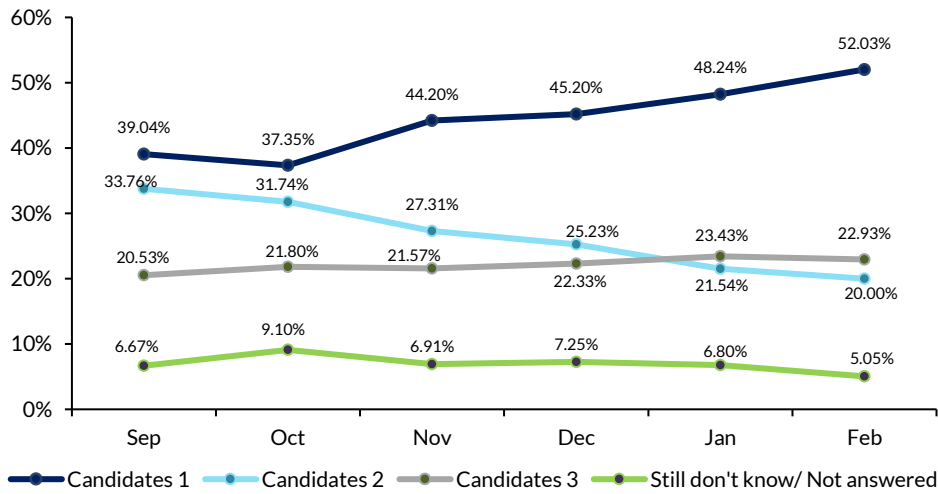
Source: Various sources, RHB

Figure 3: Presidential election quick count results



Source: Detik.com, BBC

Figure 4: #02: Prabowo-Gibran remain robust and is capable of surpassing the 50% threshold as of February



Source: Various media, RHB

Legislative Election 2024 quick count

The current quick count reveals a potential shift in parliamentary dynamics. According to LSI's quick count results (up to 14 Feb at 9pm), four parties from candidates #02: Prabowo-Gibran's coalition crossed the 4% threshold vs four parties from the opposition. PDIP currently has the most votes (17.5%), followed by Golkar (15.1%) and Gerindra (13.7%). If the current trend continues, Parliament may be dominated by the opposition, implying stricter oversight of decision-making and presidential policies. However, policy alignment should prevent major disruptions.

















The potential for PDIP to maintain its current leadership position is cause for concern. The ongoing voting process is dynamic, with potential fluctuations in the majority vote, particularly for PDIP and Golkar, which have volatile voting patterns. The declining popularity and electability of candidates #3: Ganjar-Mahfud, who is currently trailing in the presidential race, suggests a fierce competition for present votes. However, if PDIP wins again, it is likely to lose a significant portion of its previous large lead in 2019.

Figure 5: Current legislative election results from Detiknews

Name	Acronym	Vote	Coalition
Indonesian Democratic Party	PDIP	17.5%	#03
Golkar Party	GOLKAR	15.1%	#02
Great Indonesia Movement Party	GERINDRA	13.7%	#02
National Awakening Party	PKB	11.0%	#01
National Democratic Party	NASDEM	9.0%	#01
Prosperous Justice Party	PKS	8.1%	#01
Democratic Party	DEMOKRAT	7.0%	#02
National Mandate Party	PAN	6.3%	#02
United Development Party	PPP	3.6%	4% threshold
Indonesia Solidarity Party	PSI	2.6%	
Indonesia Unity Party	PERINDO	1.4%	
Indonesian People's Wave Party	GELORA	1.2%	
People's Conscience Party	HANURA	0.9%	
Labour Party	PB	0.8%	
Garuda Party	GARUDA	0.5%	
Nusantara Awakening Party	PKN	0.5%	
Crescent Star Party	PBB	0.5%	
Ummah Party	PU	0.4%	

Source: Detiknews

Figure 6: Coalition parties' chairpersons and their profiles

Coalition party	Party name	Chairperson	Profile
Prabowo - Gibran #02	Golkar Party	Airlangga Hartarto	Airlangga Hartarto has been serving as the chairman of the Golkar party since 2015. He is currently the Coordinating Ministry for Economic Affairs. He previously served as the Minister of Industry in 2016-2019.
			
	Great Indonesia Movement Party (GERINDRA)	Prabowo Subianto	Prabowo Subianto is running for President, and has been the Chairman of the Gerindra party since 2015. He is currently the Minister of Defense. He previously ran for President in the 2014 and 2019 election.
			
	Democratic Party	Agus Harimurti Yudhoyono	Agus Harimurti Yudhoyono is the current Chairman of the Democratic Party. He previously served in the Indonesian Army (TNI-AD). He once ran for Governor of Jakarta in 2017. He is the son of the founder of the Democratic Party and former President Susilo Bambang Yudhoyono.
			
	National Mandate Party (PAN)	Zulkifli Hasan	Zulkifli Hasan has been serving as the chairman of the PAN party since 2015. He is currently the Minister of Trade, a position he has held since Jun 2022. He previously served as Deputy Speaker of the People's Consultative.
			
Garuda Party	Ahmad Ridha Sabana	Ahmad Ridha Sabana is the current Chairman of the Garuda Party, serving since 2015. He is actively involved in the Central Indonesian Youth Committee or KNPI. In 2014, Ahmad ran as a candidate for the Regional Representative Council or DPRD of Jakarta, representing the Gerindra Party.	
			
Crescent Star Party	Yusril Iha Mahendra	Yusril is the founder and Chairman of the Crescent Star Party or PBB. He has served as the State Secretary, a member of the House of Representatives or DPR, Minister of Justice and Legislation, and Minister of Law and Human Rights.	
			
Indonesian Solidarity Party	Kaesang Pangarep	Kaesang Pangarep is a politician and a businessman. He is the Chairman of the Indonesian Solidarity Party (PSI), replacing Giring Ganesha. He is the youngest son of President Joko Widodo.	
			
Indonesian People's Wave Party	Muhammad Anis Matta	Muhammad Anis Matta is the founder of the Gelora Party along with Fahri, and currently serves as the chairman. He was a member of the Indonesian House of Representatives or DPR RI from 2004 to 2014.	
			

Source: Bijakmemilih.com, Various media, RHB

Figure 7: Campaign funders from each party



Source: RHB, Various sources

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KUALA LUMPUR

RHB Investment Bank Bhd
Level 3A, Tower One, RHB Centre
Jalan Tun Razak
Kuala Lumpur 50400
Malaysia
Tel : +603 9280 8888
Fax : +603 9200 2216

JAKARTA

PT RHB Sekuritas Indonesia
Revenue Tower, 11th Floor, District 8 - SCBD
Jl. Jendral Sudirman Kav 52-53
Jakarta 12190
Indonesia
Tel : +6221 509 39 888
Fax : +6221 509 39 777

BANGKOK

RHB Securities (Thailand) PCL
10th Floor, Sathorn Square Office Tower
98, North Sathorn Road, Silom
Bangrak, Bangkok 10500
Thailand
Tel: +66 2088 9999
Fax :+66 2088 9799

SINGAPORE

RHB Bank Berhad (Singapore branch)
90 Cecil Street
#04-00 RHB Bank Building
Singapore 069531
Fax: +65 6509 0470