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Research Center

Morning KISI/

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Indonesia consumer Putting needs over wants

We conducted a survey in order to gain a deeper understanding of the current state of society's purchasing power and willingness to spend. We are pleased to present our findings as follows:

#1 The lower segment is more likely to rely on govt programs

Nearly half of respondents (46%) from the lower segment reported a decrease in their income in the past 6 months, but a majority of the respondents still expect to maintain their spending or even spend more in the next 2-3 months. They are prioritizing health-related expenses (medication, doctor visits, treatment, etc.) as their main priority over other discretionary categories. This implies that those in the lower SES group are more likely to rely on govt programs (e.g. social assistance) and have less disposable income to spend on non-essential items.

#2 Savings is no 1 priority, yet pent-up demand in the upper and middle segments seems to be intact

~75% of respondents in the upper and middle segments had a stable or increasing income, but people in the upper segment are likely to spend more (48% of respondents) in the next 2-3 months – the highest amongst the middle (41%) and lower segment (31%). The majority of the upper and middle SES groups prioritize saving money, but they also intend to spend more on clothing and skincare products. This may indicate that pent-up demand among the groups is still intact. Despite the recent lifting of mobility restrictions in Indonesia, many people in the upper and middle segments choose to cut spending on entertainment (e.g. going out to restaurants, concerts, and movies).

#3 Younger groups prioritize spending on personal appearance items, older groups choose education

The overall income trend across different age groups is relatively similar, but the adults (26-35 years old) and older adults (36-50 years old) are more likely to spend more. On the other hand, nearly a third of young adults (20-25 years old) are more cautious and prioritize saving money. In terms of spending priorities, the younger groups prefer spending on personal appearance items (clothes and skincare), while the older group is putting education as its main priority. Young adults and older adults plan to cut spending on cigarettes, while adults may cut spending on entertainment.

#4 Downtrading is still prevalent across SES and age groups

75% of respondents plan to switch brands from the ones they normally use, suggesting that consumers are not necessarily loyal to a specific brand and are looking for options. When it comes to buying decisions, most respondents are placing price/affordability first (54% of respondents), ahead of quality (38%), and convenience (27%). This suggests that cost is a significant factor in consumers' decision-making. This trend is similar across socioeconomic and age groups, which may indicate that downtrading is still prevalent in society even after the pandemic situation has improved.

Prefer staples to discretionary

We remain cautious on domestic purchasing power due to current economic challenges and the potential impact on consumer spending. Hence, we prefer defensive options at the moment and maintain **OVERWEIGHT on consumer staples**, as we believe that staples companies would post robust earnings growth driven by margin expansion (rather than sales growth) from normalizing input costs. On the other hand, we would like to **downgrade our call on retailers from OVERWEIGHT to NEUTRAL**, as we think that people are being more cautious with their discretionary spending and prioritize saving money. However, we still recommend selective stocks in retailers, particularly those who target the middle to upper segments and have high exposure to fashion and lifestyle items. Our top picks are **MYOR, ICBP, and MAPI**.

Company	Rating	TP (IDR)
ACES	HOLD	400
ERAA	HOLD	420
ICBP	BUY	12,250
INDF	HOLD	7,500
MAPI	BUY	1,800
MYOR	BUY	3,000
UNVR	SELL	4,400

IDXCNCYC Index



Source: Bloomberg

IDXCYC Index



Source: Bloomberg

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Market Commentary

Market Commentary

- JCI fell for the second day, the index sheds 33 pts on Wed in thin trading dragged by profit taking in select heavyweights and weakness in coal stocks.
- Asian markets eked out small gains, while US and European futures fell amid downbeat investor sentiment following mixed corporate earnings.
- 7/11 sectors ended in the red, led by energy and basic materials, while financials and consumer non-cyclicals managed to stay in the positive zone.
- Heavyweight banks extended decline, mainly due to profit taking and sector rotation after recent gains, BBNI IJ +0.28% still posted modest gain as earnings beat consensus est.
- Cigarette makers registered another sizable gains on expectation of profit growth after product price increases. GGRM IJ +6.65%, HMSP IJ +5.85%.
- Tech shares were mixed, GOTO IJ fell 1.68% while BUKA IJ gained 2.88%. Digital banks were on a roll, ARTO IJ and BBYB IJ jumped more than 7%.
 - Top Gainers : ARTO (+8.15%), PNLF (+16.57%), ASII (+0.42%)
 - Top Losers: BMRI (-2.02%), BBRI (-1.30%), MDKA (-3.43%)

News

Macroeconomic, Sector and Corporate News

- INDY – Co. unit, Kideco Jaya Agung gets mining permit extension until 2033. (bbg)
- BUKA – announced adjustment fee to 1.5-2% to Super Seller & Regular Seller since 16Jan2023. (Investor daily)
- GEMS – allocates USD33mn capex this year to increase coal production to 40mn tonnes. (Investor daily)
- WEGE – secured IDR745bn new contracts in new capital (IKN). (Investor daily)
- PZZA – plans to open 10 new outlets & renovates 90 existing outlets this year. (Kontan)
- MGRO – allocates FY23 capex of IDR 250bn to increase production capacity. (Kontan)
- PRDA – allocates IDR200-250bn capex in FY23 for automation and modernization of laboratory facilities. (Bisnis)
- INOV – targets Recycled Polyester Staple Fiber factory to operate in 1Q23, increasing total production capacity by 23% to 49,200 tons per day. (Kontan)
- ADHI – targets FY23 new contracts of IDR27.3tn (+15% YoY) in FY23. (Bisnis)
- SMDR – allocates USD150mn capex this year for purchase of 5-10 new vessels. (Bisnis)

Outliers

Outlier Stocks

- Sharp Movers (Up) : ARTO (+8.15%), PNLF (+16.57%), ASII (+0.42%)
- Sharp Movers (Down) : BMRI (-2.02%), BBRI (-1.30%), MDKA (-3.43%)

Macro Calendar

January 26, 2023

Mon	Tue	Wed	Thu	Fri
2	3	4	5	6
Korea> December exports and imports (announced Jan 1) US> Market closed (New year) China> Market closed (New year) Japan> Market closed (New year)	Japan> Market closed (Market Holiday) China> December Caixin manufacturing PMI	Korea> December FX reserves US> FOMC minutes release December ISM manufacturing PMI MBA mortgage applications	US> December ADP employment change Initial jobless claims China> December exports and imports(-Dec 13) China> December Caixin services PMI	US> December non-farm payrolls December jobless rate December ISM services PMI November durable goods orders (F) November manufacturing orders Europe> December CPI (P)
9	10	11	12	13
OECD leading economic index China> December FX reserves (announced Jan 7) December PPI (-Dec 16) December CPI (-Dec 6) December M2 (-Dec 16) Japan> Market closed (Coming of Age Day)	China> December industrial production (-Dec 20) December retail sales (-Dec 20) December fixed asset investment (~20일)	Korea> December jobless rate US> MBA mortgage applications	US> December CPI Initial jobless claims	Korea> MPC meeting US> January Michigan Consumer Confidence (P) China> 4Q22 GDP (-December 27)
16	17	18	19	20
US> Market closed (Martin Luther King Jr. Day) China> PBOC MLF rate release	The OPEC Monthly Oil Market Report US> January manufacturing index (New York)	US> MBA mortgage applications December retail sales December PPI Europe> December CPI (F) Japan> BoJ MPC meeting November mining and manufacturing production (F) November core machinery orders	US> December housing starts Initial jobless claims Japan> December exports and imports	US> December existing home sales China> PBOC LPR release Japan> December CPI
23	24	25	26	27
Korea> Market closed (Lunar New Year) December mining and manufacturing production (- Dec 31) China> Market closed (Lunar New Year)	Korea> Market closed (Lunar New Year) China> Market closed (Lunar New Year)	China> Market closed (Lunar New Year)	Korea> 4Q22 GDP(A) US> 4Q22 GDP(A) Initial jobless claims December durable goods orders (P) December new home sales China> Market closed (Lunar New Year)	US> December PCE January Michigan Consumer Confidence (F) China> Market closed (Lunar New Year)
30	31			
	China> January manufacturing PMI January services PMI Europe> 4Q22 GDP (A) Japan> December mining and manufacturing production (P) December jobless rate			

Note: 1) Figures in parentheses represent the latest reported figures, Bloomberg estimates and previous reported figures in that order. For example: Data (actual reported figures, Bloomberg estimate, previous reported figures). Bloomberg estimates are subject to change 2) Earnings release date is from Bloomberg or company announcement