An update on Corporate Indonesia:

All-around divergences

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Summary

- Rising gold prices and stable demand for companies targeting the upper segment of the market continue to drive revenue growth in Indonesia's corporate sector; the latter highlights the uneven demand conditions across income segments.
- While CAPEX growth continues to accelerate, higher CAPEX growth remains concentrated in the capital-intensive sector, indicating a disconnect between corporate expansion and the demand for labour.
- Corporate revenue growth may continue as lower real interest rates could incentivise households to increase their consumption level, but the uneven consumption growth may not be enough to encourage the wider part of the domestic corporate sector to expand.

- Last week marks another important time for the ongoing global trade war, with the US and China locked in a contest to shout the biggest number it will impose as tariffs on their imports (145% is the top number). Uncertainties and sharp U-turns, however, have become a norm rather than a glitch in the ongoing trade war, as US President Donald Trump announced an exemption on smartphones, electronics, and semiconductors imports shortly after.
- Be that as it may, it might be better to expect that both parties will soldier on, given President Trump's recent quip that all tariff exemptions will be short-lived and President Xi's planned visit to tariff-impacted countries in Southeast Asia (Vietnam, Cambodia, and Thailand).
- Alas, the damage to the financial market is done. The tariff exemption news may have led to a relief rally for the US stock market, but the 10Y UST yield continues to move upwards (4.49% at the time of writing, +28.92 bps MTD) on the rising perceived risks.
- The Indonesian financial market, of course, is not immune to the volatility in the US and global markets. The SBN market recorded USD 223.6 Mn in foreign capital outflows in the past week, leading to the benchmark yield hovering above the 7.0% level (+5.7 bps WoW). Foreign investors also recorded USD 350.1 Mn of selloffs in the Indonesian stock market, dragging the Rupiah to its historically low 16,795/USD (-9.08% YTD) as the market closed last Friday.

All's good for the *Optimates*

- Global volatility is hardly the sole factor explaining foreign investors' weakening appetite for Indonesian equities. Domestic factors, ranging from uncertain policy direction to persistent current account pressures, also contribute to the growing hesitation among foreign investors. The southward trend in the EPS number also indicates that the stock market is not the land of high growth and promises it once was. Numbers from last quarter's financial reports, however, seem to suggest that the situation in the domestic corporate sector may not be as bleak as perceived, with **revenue growth continuing to recover – albeit still at a measured pace *(see Chart 1)***.

- While commodity prices (especially gold) still play an important role ***(see Chart 2)***, **the continued recovery in corporate Indonesia's revenue growth points to some promising signs for the domestic aggregate demand condition**. Companies in the domestic-oriented consumer discretionary sector recorded a considerable 12.5% YoY increase in revenue in Q4-2024 (8.7% YoY previously), signalling robust domestic demand throughout the period. Meanwhile, the communication services and IT sector also recorded a healthy 6.8% YoY revenue growth (-0.3% YoY in Q3-2024), which may reflect robust demand from businesses in the tertiary sector, particularly the nascent data centre industry.

- Equally encouraging is corporate Indonesia's apparent success in improving its profit margin, which shall translate positively to profitability ***(see Chart 3)***. Alas, combining the data with insights from BCA big data may reveal a less encouraging macroeconomic reading in the past quarter—one that may persist into the current quarter and beyond. The decline in the Business Revenue Index (BCA Intrabiz) during the same period suggests a possible divergence between the performance of larger corporates and their smaller counterparts, who often serve as suppliers. **The higher reported profit margins among big firms, then, maybe less a sign of improved efficiency and more a reflection of margin transfers from smaller businesses further up the value chain**, underscoring a more challenging business landscape beneath the surface.

"Strong revenue growth in the consumer discretionary sector seems to be largely attributed to strong demand from upper-income segment of the market"

- The diverging revenue trend could also be seen even among companies in the corporate sector, which is especially palpable in the consumer discretionary sector. Indeed, **revenue growth for companies in the consumer discretionary sector appears to be concentrated among a handful of companies – primarily those serving middle- to upper-income customers.**

- This reading may provide an answer to the popular discourse on where Indonesia's aggregate demand currently stands. **Consumption growth, we argue, is almost singlehandedly driven by the upper crest of the income group**, as reflected in the strong revenue performance of companies operating in electronics or lifestyle/speciality retail industries. The data on travellers during the past Eid period suggests that this trend may persist into Q1-2025, with air travel – transportation of choice for those solidly in the middle-income bracket – rising by 1.7% compared to the 2024 Eid period, even as the total number of travellers declined by 4.6%, according to the Ministry of Transportation.

- **A lower real interest rate, then, may provide some support in boosting consumption growth, as demand conditions among middle- to upper-income households appear to be constrained more by their willingness to spend (due to the high opportunity cost of reducing their savings rate) rather than by feeble purchasing power.** Bank Indonesia's high FX reserves (USD 157.1 Bn as of Mar-2025) may allow the central bank to maintain its dovish bias, although the high financing needs may continue to encourage the government to attract more retail investors to the SBN market.

A different story for the *Populares*

- High real rates' detrimental impact on growth is not confined to household consumption. As we have noted earlier, corporate demand has increasingly shifted toward paper investments since early 2024, seemingly driven by the more attractive returns from financial assets compared to greenfield projects. This cautious stance is also evident in the domestic corporate sector, where **firms have continued to accumulate cash and marketable securities rather than committing to long-term capital expenditure *(see Chart 4)***.

"The disconnect between CAPEX realisation and the demand for labour may translate negatively to the demand condition in the lower segment of consumers"

- This does not mean that companies are holding back on CAPEX *en masse*. If anything, CAPEX realisation growth is accelerating to 5.05% YoY in Q4-2025, higher than 1.94% YoY in the previous quarter ***(see Chart 5)***. For instance, companies in the domestic chemical sector continue to invest substantially in various projects, aligning with the government's strategic agenda to enhance energy independence and drive industrialisation through commodity down-streaming. Also contributing to the positive aggregated CAPEX growth are companies in the mineral fuels sector, which appear to remain committed to diversifying away from "brown" industries.
- With that being said, **it is apparent that the problem of sluggish CAPEX growth persists, particularly among companies in labour-intensive sectors *(see Table 1)***. This condition explains the popular concern over a de-industrialising domestic economy, as the high CAPEX realisation growth in capital-intensive sectors continues to fail to translate to higher demand for workers in the corporate sector ***(see Chart 6)***.
- This divergence between labour- and capital-intensive sectors is, of course, a concerning trend. For instance, **the resulting slowing growth in the demand for workers (at least relative to the number of graduates) may create a feedback loop that weighs on domestic household demand**, particularly among the 'aspiring' middle-class and lower-

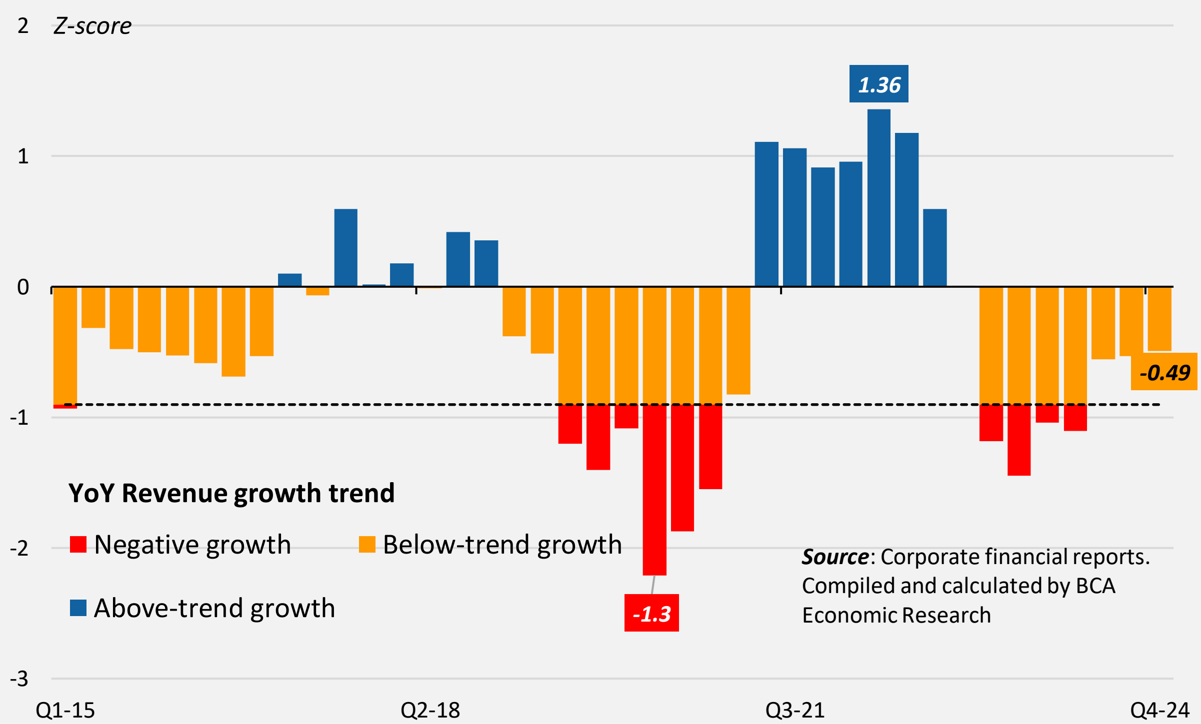
income segments of the population. Indeed, middle- to lower-income households cannot be expected to sustainably bolster their consumption (especially for non-primary goods) without first strengthening their economic security, which remains closely tied to expanding employment opportunities and rising real incomes.

- Alas, demand for workers is a lagging indicator, and other, more recent indicators have not shown that the condition is about to turn for the better. **The Indonesian economy, then, may continue with its two-track growth model (strong consumption mostly in the higher-up of the income group), which thus far has managed to deliver stable growth, yet continues to foment a cautious mood regarding the economy's future trajectory**. The domestic corporate sector seems to be subscribing to this view ***(see Chart 7)***, as companies are opting to maintain a conservative stance and refusing to leverage up in the absence of clear-cut opportunities. This reading forms our expectation on the single-digit loan growth in 2025, although policy interventions by BI and the government may help to nudge the number a tad higher.

Chart 1

Slow down averted

Domestic corporate revenue growth is gradually improving on aggregate, despite the declining commodity prices throughout Q4-2024

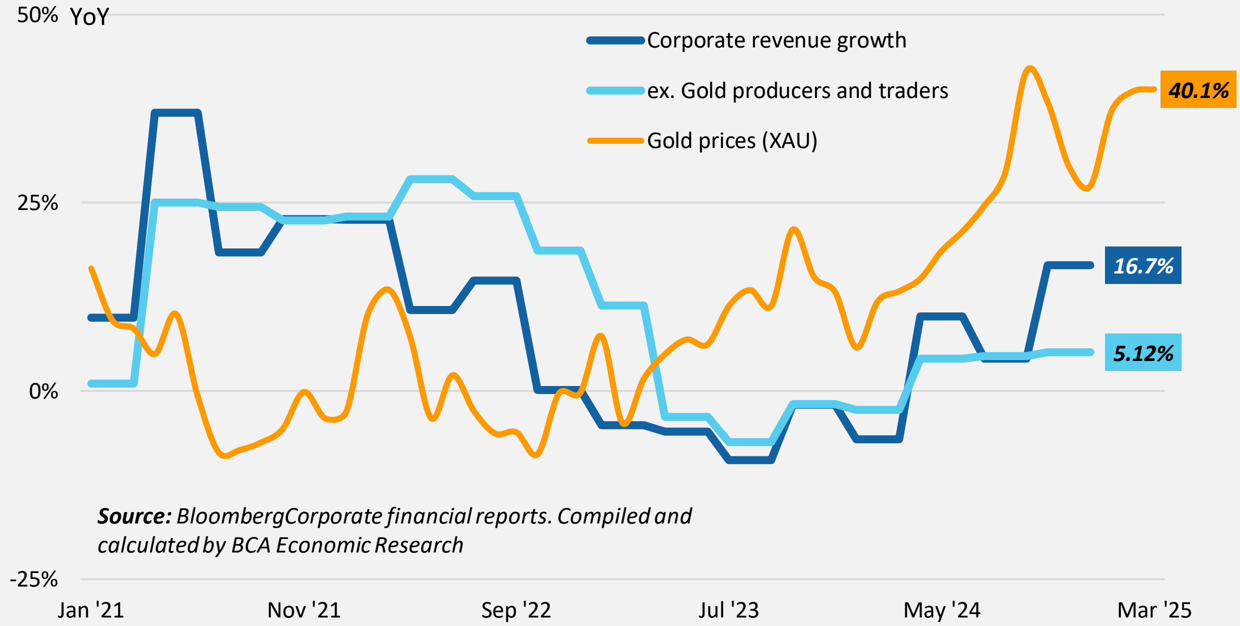


Source: Corporate financial reports. Compiled and calculated by BCA Economic Research

Chart 2

Gold rush

Higher gold prices play an important role in securing domestic corporate sector's revenue growth.

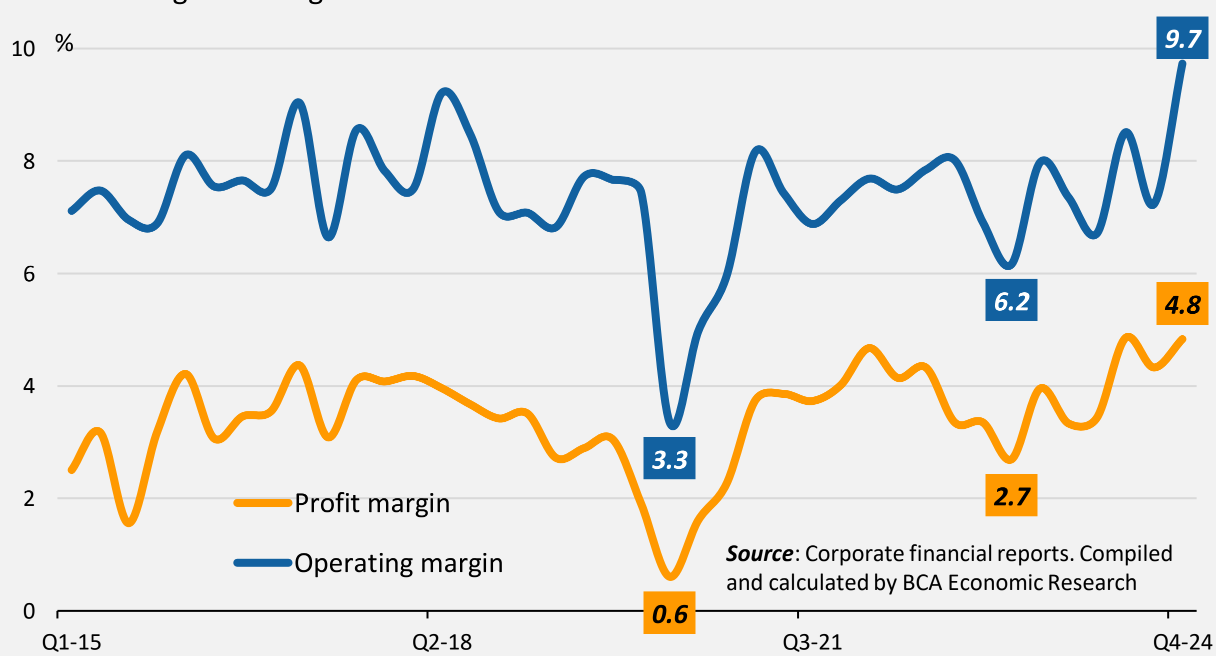


Source: *BloombergCorporate financial reports. Compiled and calculated by BCA Economic Research*

Chart 3

Big eats small?

The domestic corporate sector manages to improve its margin in Q4-2025, a trend that appears to coincide slowing revenue growth for smaller businesses

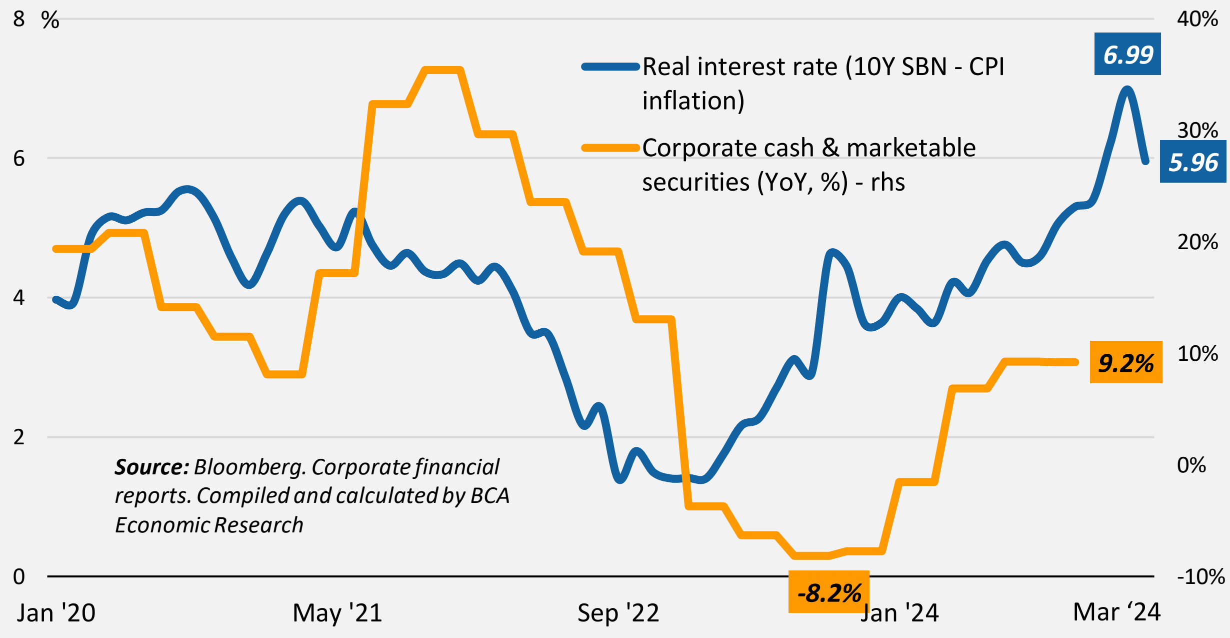


Source: Corporate financial reports. Compiled and calculated by BCA Economic Research

Chart 4

Still not in an investing mood

High real interest rate may continue to incentivise corporate Indonesia to invest in paper assets rather than looking for more productive investments

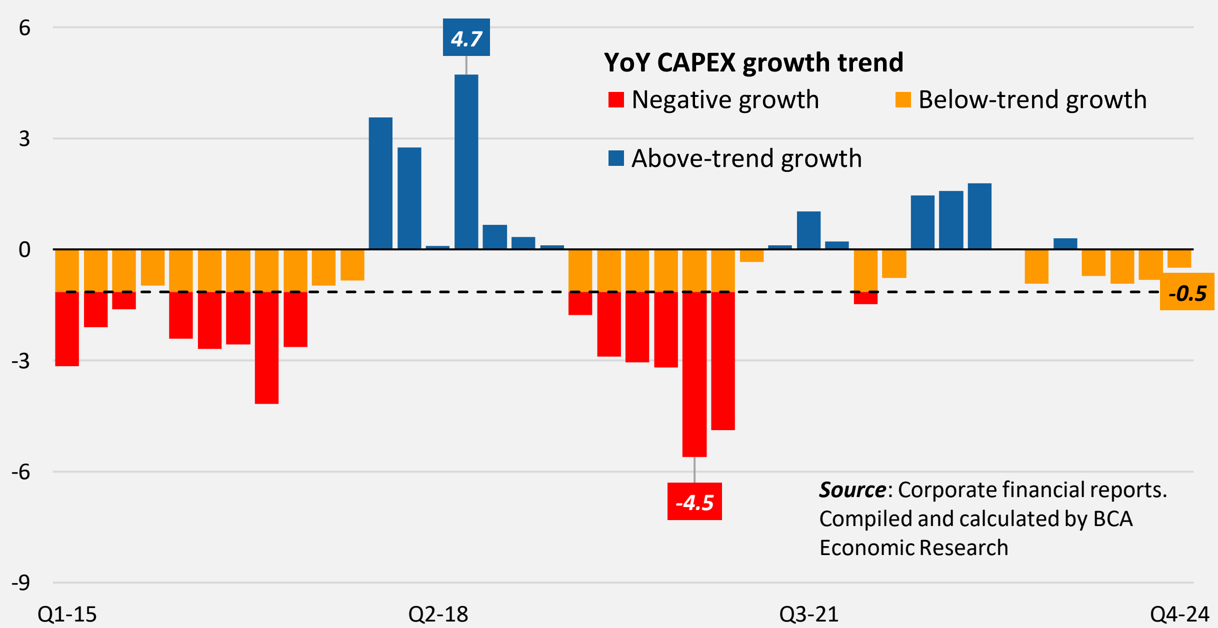


Source: *Bloomberg. Corporate financial reports. Compiled and calculated by BCA Economic Research*

Chart 5

Still not in an investing mood

CAPEX realisation continue to recover at a slow pace and remains concentrated in capital-intensive sectors

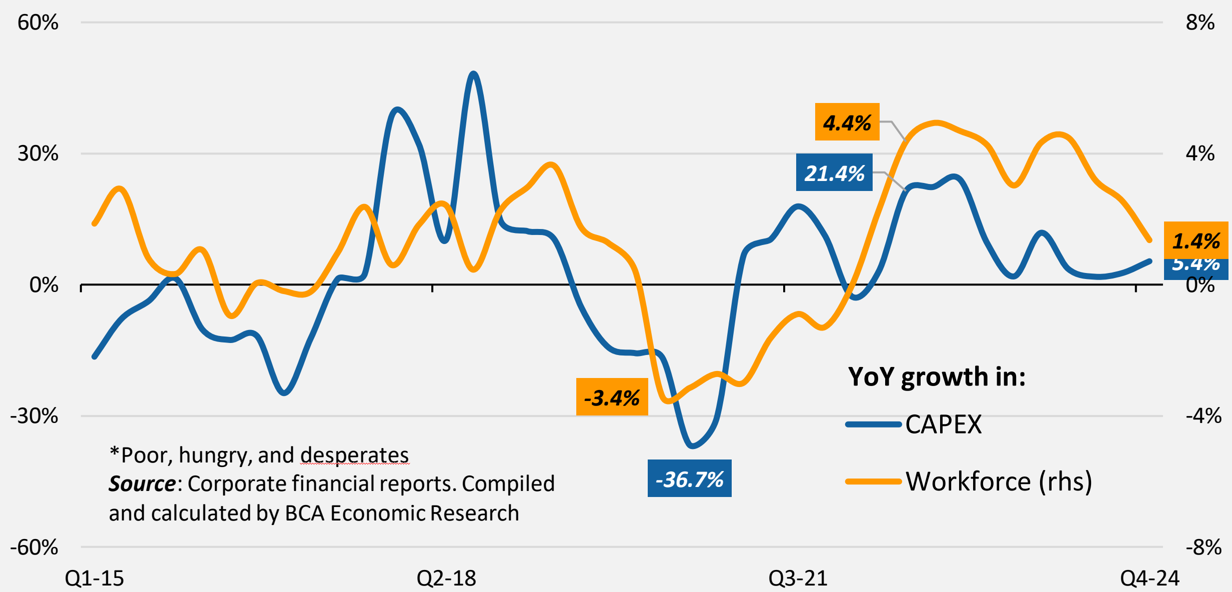


Source: Corporate financial reports. Compiled and calculated by BCA Economic Research

Chart 6

More PhDs* on the street

Still slow and heavily concentrated CAPEX realisation explains the weakening demand for workers in the domestic corporate sector, which may translate negatively to the household sector.

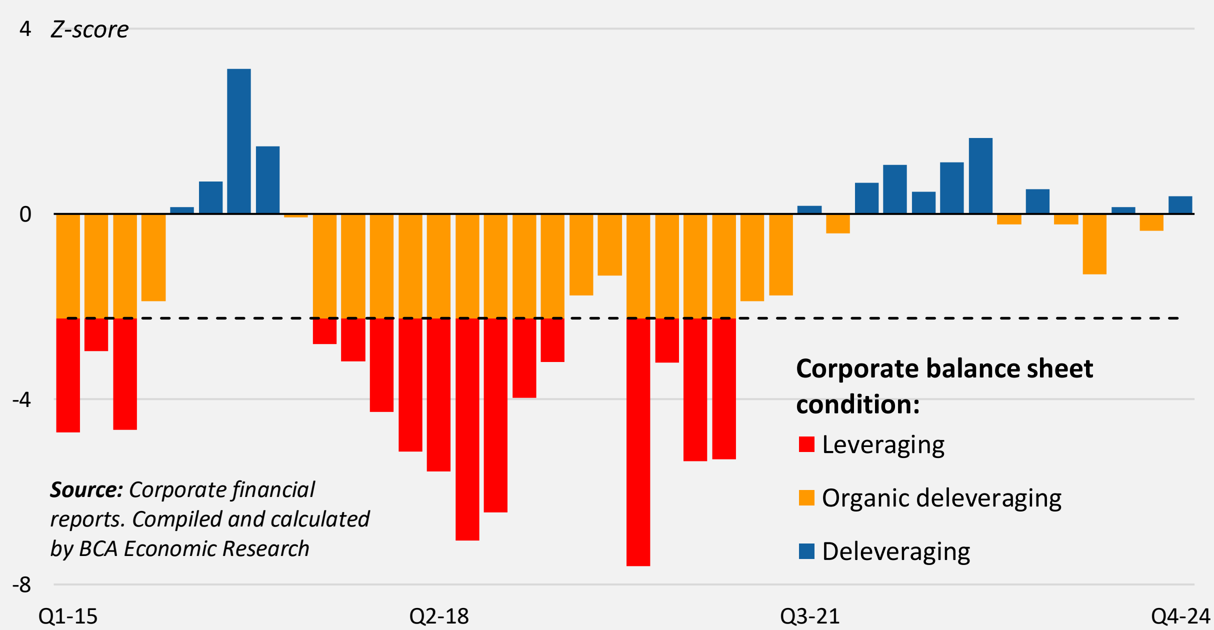


*Poor, hungry, and desperates
Source: Corporate financial reports. Compiled and calculated by BCA Economic Research

Chart 7

Keeping it safe

Corporate Indonesia is limiting their exposure to liabilities, indicating a wait-and-see attitude that may translate negatively to the demand for loans.



Source: *Corporate financial reports. Compiled and calculated by BCA Economic Research*

Table 1

GICS sector classification	Metrics	Q1-23	Q2-23	Q3-23	Q4-23	Q1-24	Q2-24	Q3-24	Q4-24
Communication Services and IT	Revenue	4.1%	1.6%	0.6%	-3.4%	0.3%	0.3%	-0.3%	6.8%
	CAPEX	10.4%	-4.0%	-25.6%	5.3%	-19.0%	-9.0%	1.2%	-17.2%
	EPS (ratio)	3.7	2.4	2.5	1.6	2.0	5.4	4.0	2.8
	Workforce	3.0%	3.4%	0.3%	-2.2%	-1.5%	-2.6%	-6.7%	-6.1%
Consumer discretionary	Revenue	10.8%	11.8%	9.4%	3.6%	7.0%	6.0%	8.7%	12.5%
	CAPEX	37.6%	6.5%	48.8%	87.9%	-10.5%	3.1%	-30.0%	-8.3%
	EPS (ratio)	2.4	1.9	1.2	2.0	0.9	1.8	2.4	4.8
	Workforce	1.5%	0.1%	0.7%	0.7%	1.0%	1.1%	-0.3%	-0.5%
Consumer staples (excl. CPO)	Revenue	5.8%	-3.2%	-2.8%	1.5%	3.3%	3.9%	3.4%	1.6%
	CAPEX	31.1%	13.5%	-1.8%	14.3%	-7.6%	-4.3%	-6.7%	-19.8%
	EPS (ratio)	5.8	5.6	8.0	4.9	3.5	3.5	4.3	5.8
	Workforce	2.5%	0.7%	-1.2%	4.9%	6.4%	7.0%	8.1%	3.6%
Agriculture products and services (CPO)	Revenue	-3.5%	2.5%	6.8%	6.9%	5.5%	9.1%	2.0%	11.2%
	CAPEX	8.7%	5.3%	-20.1%	6.8%	-8.5%	-8.8%	-9.9%	-29.2%
	EPS (ratio)	15.0	4.9	20.3	17.3	11.0	14.4	25.8	33.2
	Workforce	9.9%	8.6%	4.3%	6.6%	6.8%	2.7%	3.6%	1.4%
Mineral fuels	Revenue	43.5%	-14.4%	-28.0%	-16.7%	-18.9%	-1.3%	16.7%	3.8%
	CAPEX	51.5%	80.1%	35.8%	38.9%	7.2%	22.5%	20.3%	117.1%
	EPS (ratio)	35.9	24.1	11.7	9.4	24.3	23.9	18.9	13.3
	Workforce	15.7%	16.0%	14.5%	12.4%	9.5%	12.0%	18.0%	17.9%
Healthcare	Revenue	3.0%	3.0%	2.7%	2.7%	13.9%	14.2%	7.9%	8.3%
	CAPEX	-14.9%	1.4%	-17.0%	-29.3%	62.4%	33.0%	6.1%	-3.2%
	EPS (ratio)	4.6	6.7	3.6	3.1	2.6	3.0	3.8	4.1
	Workforce	3.3%	3.7%	5.0%	5.1%	7.1%	8.0%	6.9%	3.9%
Industrial services	Revenue	12.3%	5.4%	6.4%	11.3%	-3.4%	6.4%	8.2%	2.0%
	CAPEX	67.8%	29.4%	171.3%	13.5%	-47.3%	-28.6%	-1.6%	64.7%
	EPS (ratio)	6.0	3.9	6.3	5.1	4.6	4.9	5.1	6.0
	Workforce	5.7%	4.0%	6.7%	-0.9%	-1.5%	-2.2%	-1.6%	-1.6%
Chemicals and pharmaceuticals	Revenue	-8.4%	-6.2%	-4.9%	5.1%	1.1%	-5.5%	-8.4%	9.6%
	CAPEX	-28.5%	-64.8%	-16.5%	30.2%	155.9%	136.1%	19.6%	80.2%
	EPS (ratio)	6.1	5.9	4.8	4.4	3.5	4.4	5.2	7.6
	Workforce	0.9%	2.5%	3.2%	2.1%	-0.2%	-1.8%	-3.3%	1.2%
Paper and forestry products	Revenue	8.8%	-7.3%	-27.6%	-21.5%	-15.7%	0.8%	8.9%	0.6%
	CAPEX	37.5%	-42.9%	651.7%	27.3%	173.1%	9.4%	-10.8%	25.0%
	EPS (ratio)	2.1	6.5	5.8	8.4	5.5	6.3	-7.7	-3.2
	Workforce	2.2%	1.2%	0.0%	0.3%	-0.5%	0.0%	0.0%	-0.3%
Metals and mining	Revenue	-0.7%	7.2%	-7.2%	2.9%	-5.7%	35.4%	17.1%	38.0%
	CAPEX	86.2%	20.5%	-22.8%	-12.4%	4.5%	-35.4%	-31.0%	-23.8%
	EPS (ratio)	2.5	0.4	0.3	2.0	-0.2	3.4	5.9	9.6
	Workforce	18.9%	21.4%	17.6%	15.7%	5.2%	2.1%	-7.9%	-15.7%
Real estate	Revenue	-0.3%	7.1%	-2.2%	20.7%	14.8%	28.2%	-12.9%	19.5%
	CAPEX	14.5%	13.0%	-4.3%	18.1%	14.0%	5.1%	145.0%	1.5%
	EPS (ratio)	0.1	-0.1	0.3	0.5	0.1	0.5	-0.1	1.5
	Workforce	-3.4%	4.6%	0.7%	4.5%	2.4%	-33.0%	-31.9%	1.3%

Source: *Corporate financial reports. Compiled and calculated by BCA Economic Research*

Economic Calendar

		Actual	Previous	Forecast*
03 April 2025				
US	Balance of Trade, (Bn)	-122.7	-130.7	-122
04 April 2025				
US	Non-Farm Payrolls, th	228	117	100.0
07 April 2025				
EA	Retail Sales YoY, %	2.3	1.8	2.1
08 April 2025				
ID	**Inflation Rate YoY, %**	**1.03**	**-0.09**	**1.3**
10 April 2025				
CN	Inflation Rate YoY, %	-0.1	-0.7	0.0
US	Inflation Rate YoY, %	2.4	2.8	2.5
14 April 2025				
ID	Motorbike Sales YoY, %	-7.2	4.0	-
CN	Balance of Trade, (Bn)	102.64	170.52	84
ID	**Foreign Exchange Reserves, USD Bn**	**157.1**	**154.5**	**155.0**
15 April 2025				
ID	Consumer Confidence		126.4	127.3
ID	Car Sales YoY, %		2.2	-
16 April 2025				
CN	Retail Sales YoY, %		4	3.5
ID	Retail Sales YoY, %		0.5	1.0
US	Retail Sales YoY, %		3.1	2.6
21 April 2025				
ID	**Balance of Trade, USD Bn**		**3.12**	**4.2**
23 April 2025				
ID	**Interest Rate Decision, %**		**5.75**	**-**
EA	Balance of Trade, (Bn)		1	-
24 April 2025				
ID	Loan Growth YoY, %		10.3	12
25 April 2025				
ID	M2 Money Supply YoY, %		5.7	-
29 April 2025				
ID	**Foreign Direct Investment YoY, %**		**33.3**	**-**
30 April 2025				
US	PCE Price Index YoY, %		**-**	2.4

*Forecasts of some indicators are simply based on market consensus
Bold indicates indicators covered by the BCA Monthly Economic Briefing report

Selected Macroeconomic Indicator

Key Policy Rates	Rate (%)	Last Change	Real Rate (%)
US	4.50	Dec-24	2.10
UK	4.50	Feb-25	1.70
EU	2.65	Mar-25	0.45
Japan	0.50	Jan-25	-3.20
China (lending)	2.00	Sep-24	4.45
Korea	2.75	Feb-25	0.65
India	6.00	Apr-25	2.39
Indonesia	5.75	Jan-25	4.72

Money Mkt Rates	11-Apr	-1 mth	Chg (bps)
SPN (1Y)	6.21	6.03	18.9
SUN (10Y)	7.05	6.89	15.7
INDONIA (O/N, Rp)	5.57	5.73	-16.5
JIBOR 1M (Rp)	6.38	6.38	0.4

Bank Rates (Rp)	Jan	Dec	Chg (bps)
Lending (WC)	8.62	8.62	0.57
Deposit 1M	4.87	4.92	-4.27
Savings	0.68	0.68	-0.18

Currency/USD	11-Apr	-1 mth	Chg (%)
UK Pound	0.764	0.772	1.05
Euro	0.881	0.916	3.99
Japanese Yen	143.5	147.8	2.95
Chinese RMB	7.292	7.230	-0.85
Indonesia Rupiah	16,795	16,405	-2.32

Capital Mkt	11-Apr	-1 mth	Chg (%)
JCI	6,262.2	6,545.9	-4.33
DJIA	40,212.7	41,433.5	-2.95
FTSE	7,964.2	8,496.0	-6.26
Nikkei 225	33,585.6	36,793.1	-8.72
Hang Seng	20,914.7	23,782.1	-12.06

Foreign portfolio ownership (Rp Tn)	Mar	Feb	Chg (Rp Tn)
Stock	3,144.7	3,083.7	61.05
Govt. Bond	891.9	890.2	1.72
Corp. Bond	5.2	5.1	0.06

Trade & Commodities	11-Apr	-1 mth	Chg (%)
Baltic Dry Index	1,274.0	1,436.0	-11.3
S&P GSCI Index	525.2	549.8	-4.5
Oil (Brent, $/brl)	64.8	69.6	-6.9
Coal ($/MT)	102.3	116.8	-12.4
Gas ($/MMBtu)	3.44	4.56	-24.6
Gold ($/oz.)	3,237.6	2,915.9	11.0
Copper ($/MT)	9,191.9	9,639.2	-4.6
Nickel ($/MT)	14,866.8	16,274.4	-8.6
CPO ($/MT)	1,017.4	1,087.5	-6.4
Rubber ($/kg)	1.72	2.00	-14.0

External Sector	Feb	Jan	Chg (%)
Export ($ bn)	21.98	21.43	2.58
Import ($ bn)	18.86	17.94	5.18
Trade bal. ($ bn)	3.12	3.49	-10.75
Central bank reserves ($ bn)*	154.5	156.1	-1.01

Prompt Indicators	Feb	Jan	Oct
Consumer confidence index (CCI)	126.4	127.2	121.1
Car sales (%YoY)	2.2	-11.3	-3.7
Motorcycle sales (%YoY)	4.0	-5.5	5.4

Manufacturing PMI	Mar	Feb	Chg (bps)
USA	50.2	52.7	-250
Eurozone	48.6	47.6	100
Japan	48.4	49.0	-60
China	51.2	50.8	40
Korea	49.1	49.9	-80
Indonesia	52.4	53.6	-120

Source: Bloomberg, BI, BPS

Notes:

*Data from an earlier period

For changes in currency: **Black indicates appreciation against USD, **Red** otherwise

***For PMI, **>50** indicates economic expansion, **<50** otherwise

Indonesia – Economic Indicators Projection

	2019	2020	2021	2022	2023	2024	2025E
Real GDP growth (% YoY)	5.0	-2.1	3.7	5.3	5.0	5.0	4.8
Nominal GDP growth (% YoY)	6.7	-2.5	9.9	15.4	6.7	6.0	5.7
GDP per capita (USD)	4175	3912	4350	4784	4920	4960	4996
CPI inflation (% YoY)	2.7	1.7	1.9	5.5	2.6	1.6	2.1
BI Rate (%)	5.00	3.75	3.50	5.50	6.00	6.00	5.50
SBN 10Y yield (%)	7.04	5.86	6.36	6.92	6.45	6.97	7.68
USD/IDR exchange rate (end of year)	13,866	14,050	14,262	15,568	15,397	16,102	16,943
Trade balance (USD Bn)	-3.2	21.7	35.3	54.5	37.0	31.0	26.0
Current account balance (% of GDP)	-2.7	-0.4	0.3	1.0	-0.1	-0.6	-1.0

Notes:

- *USD/IDR exchange rate projections are for fundamental values; market values may diverge significantly at any moment in time*

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