



MONTHLY MORNING MEETING APRIL 2009. PRESENTED BY iFAST FINANCIAL INDIA PVT LTD ©

INDONESIA (3.5 STARS – ATTRACTIVE)

- 1) As at 31 March 2009, the estimated PE for the Indonesia equity market stands at 12.2X and 10.5X for 2009 and 2010 respectively. These valuations are relatively more attractive as compared to the historical range of 10.4X to 22.9X between 2003 and 2007.
- 2) Estimated earnings growth for 2009 is expected to decelerate to 3.5% as compared to an estimated 12% in 2008. However, we expect earnings growth to increase in 2010, with a strong estimated earnings growth of 16.4% as recovery takes place.
- 3) Indonesia's GDP growth slowed to 5.2% year-on-year in the fourth quarter, after gaining 6.4% in the face of the global slowdown. This was a result of a fall in investments and weakening exports. Exports growth in January fell to -35.5% year-on-year as compared to -20% year-on-year in December as expectations of a slower global demand for commodities pushed demand and prices of export products, mainly coal and crude palm oil down.
- 4) The Central Bank of Indonesia has revised economic growth of 2009 down to between 3% and 4% lower than the earlier estimated range of 5.5% to 6.5% as the global crisis halts exports and investments. The global economic slowdown is expected to be felt most in first half of 2009. However, the government's stimulus package will make infrastructure spending a priority in 2009 to create more jobs and to spur the economy.
- 5) To meet its objective of stimulating growth in the economy, the Indonesia government is offering US\$34 billion of infrastructure projects to the private sector in 2009 and 2010. These projects will be implemented between 2010 and 2012 under public-private partnership schemes.
- 6) Inflation in March eased to 7.9% year-on-year as compared to 8.6% in February and 9.2% in January on falling commodity prices. This trend which will most likely sustain in the months ahead will allow the central bank to cut rates further to bolster growth.
- 7) Decline in inflation rates over the past few months has allowed Bank Indonesia to cut rates by 50 basis points to 7.75% in March due to a need to spur the domestic economy as exports slumped. The Central bank of Indonesia has reduced interest rates by a total of 175 basis points since November last year to prevent the economy from falling into a recession.
- 8) Indonesia's consumer confidence rose from 92.8 to 96.4 in February, hitting a 14 month high after the government increased civil-servant salaries and provided tax breaks. This indicates that despite the slowing global economy, domestic demand may still remain relatively as strong as compared to other economies. We have a 3.5 star "Attractive" rating on the Indonesian equity market.