

Phase one trade deal signing done. Trump has signed “phase one” trade deal with China on 15th January 2020 in which Beijing will have to purchase an additional USD 200 billion of US goods and services over the next two years. In exchange, Washington has agreed to reduce tariffs on USD 120 billion in Chinese products from 15% to 7.5%. This does not mark the end of the trade war as the current concern is on realizing the second phase of the deal which consists of other problems that are driving this trade war such as China’s subsidies for domestic businesses and administrative rules which made it difficult for US firms to operate in the country. The U.S. aims to start talks immediately on a second piece of the deal before the presidential election in November, but Chinese media has reported that it may not occur anytime soon. As a result, there might still be further escalations and tensions between both countries that can hinder business and investment confidence.

Improvement in FY19 Indonesia’s trade balance. Badan Pusat Statistik (BPS) reported that Indonesia’s trade balance in December 2019 has recorded a deficit of USD 28.2mn or significant decreased from the previous month, which is USD 1.39bn. Indonesia’s export on Dec-19 has increased from USD 13.9bn to USD 14.4bn, 3.77% MoM or 1.28% YoY. At the meantime, Indonesia’s import on Dec-19 was recorded at USD 14.5bn or declined by 5.47% MoM and 5.62% YoY. The better trade balance figures were mainly driven by surplus in non-O&G sector that reached USD 943.1mn. This performance is supported by increasing export and decreasing import in non-O&G sector. Rising exports in non-O&G sector came from edible oil and fats (EOF) which jumped significantly by 25.76% YoY, while declining imports in non-O&G sector that reached USD 838mn MoM were coming from vehicle and parts (-36.7%), followed by iron and steel (-16.6%) as well as machinery and electrical equipment (-11.7%) might be on seasonal holiday season in December. On the flip side, O&G sector has always recorded deficit since 2004. In Dec-19, O&G sector recorded deficit of USD 971.3mn (-11.5%). However, the trade balance in O&G sector has significantly decreased from deficit of USD 12.6bn to USD 9.3 (+26% YoY), which may be on Government’s act to push the implementation of biodiesel, lowering the need to import oil. In 2020, we believe O&G sector’s trade balance could get better stemming from the B30 implementation, meanwhile non-O&G’s could also be supportive with current high CPO price.

Weak 4W sales in December. As of December, the national 4W sales stood at 86,582 units (-4.6% MoM, -14.1% YoY). For the whole year of 2019, the 4W sales down 11.8% YoY. On the Astra side, December’s figure was soft with a market share of 47.4% (vs 52.7% in November). Astra recorded 41,045 units sales in December (-14.2% MoM, -9.7% YoY), where a significant drop seen in Daihatsu sales (-31.8% MoM, -33.4% YoY). Moreover, Toyota also posted a weaker sales which stood at 27,478 units (-5.5% MoM, +3.1% YoY). We believe the reasoning of weak December sales was because dealers want to maintain inventory level not too high at the end of the year. Throughout 2019, Astra booked 536,402 units (-7.8% YoY) with a market share of 52.2%.

Research Team

+62 21 392 5550 ext. 611

research@sinarmassekuritas.co.id



Moving into 2020, we are more on the positive for 4W sales on the back of better commodity prices (CPO), low-interest-rate environment, and stable economic condition. Currently, we have an ADD rating on ASII with 52-week TP of IDR 7,800. Our TP implies 13.4x FY20 P/E (-0.8SD vs 5-yr mean).

Cement industry closed 2019 with 70 mn tons sales volume (+0.6% YoY). Semen Indonesia reported 26.8 mn tons sales volume (-2.2% YoY), SBI (ex-SMCB) which now is consolded to SMGR recorded 10.4 mn tons sales volume (-1.9% YoY), while Indocement attained 18.2 mn tons domestic sales volume (+0.4% YoY). Bag and bulk cement sales displayed similar trend as both grew by 0.7% and 0.6% YoY respectively. The domestic growth was below early expectation of 3% on the back of modest property sales and the pause on infrastructure projects during election period. While domestic volume was sluggish up to 9M19, sales was picking up in 4Q19 as the construction projects resumed. Exports demand on the other hand, showed a significant growth by recording 6.4 mn tons of sales volume (+11.8% YoY) which mainly attributed to higher demand from China. Going forward, the Indonesian cement association estimates that the industry's volume would be growing at 3% YoY. We expect that sales growth has bottomed last year and would continue to recover in the coming months as the government continues to focus on infra development. We maintain SMGR as our top pick within the sector due to its potential earnings upside following the lower finance costs and synergy with SMCB.

2019 4W Sales

2019	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Toyota	25,090	23,555	28,902	29,539	29,217	18,625	29,501	29,159	31,927	31,142	29,087	27,478
growth MoM	-5.9%	-6.1%	22.7%	2.2%	-1.1%	-36.3%	58.4%	-1.2%	9.5%	-2.5%	-6.6%	-5.5%
growth YoY	-1.3%	-15.5%	-8.6%	0.1%	0.9%	-0.1%	-15.7%	-6.4%	7.1%	-13.8%	-9.0%	3.1%
Daihatsu	14,769	16,305	19,625	16,126	14,178	6,020	13,013	15,415	17,537	17,530	15,911	10,855
growth MoM	-9.3%	10.4%	20.4%	-17.8%	-12.1%	-57.5%	116.2%	18.5%	13.8%	0.0%	-9.2%	-31.8%
growth YoY	-21.4%	4.1%	14.4%	-14.5%	-20.0%	-10.4%	-27.6%	-12.0%	2.5%	-16.6%	-11.2%	-33.4%
Isuzu	2,343	1,805	1,812	1,817	1,682	1,823	1,838	2,360	2,077	2,481	2,664	2,568
UD Trucks	-	-	-	-	-	-	-	-	120	112	139	126
Peugeot	-	9	14	9	7	6	7	10	16	15	18	18
Total Astra Sales	42,202	41,674	50,353	47,491	45,084	26,474	44,359	46,944	51,677	51,280	47,819	41,045
MoM	-7.1%	-1.3%	20.8%	-5.7%	-5.1%	-41.3%	67.6%	5.8%	10.1%	-0.8%	-6.7%	-14.2%
YoY	-7.8%	-8.1%	-0.9%	-6.8%	-7.3%	-1.0%	-19.0%	-8.4%	4.0%	-14.2%	-8.8%	-9.7%
Astra LCGC	11,537	11,766	13,633	14,663	13,503	7,578	13,454	11,683	13,544	14,707	13,926	14,028
MoM	-15.0%	2.0%	15.9%	7.6%	-7.9%	-43.9%	77.5%	-13.2%	15.9%	8.6%	-5.3%	0.7%
YoY	-19.5%	-10.6%	-5.0%	-13.3%	-17.6%	-11.6%	-8.4%	-19.2%	-6.3%	-6.8%	-2.2%	3.4%
Total WS	81,988	81,643	90,163	83,849	83,927	59,502	89,139	90,439	92,928	95,963	90,798	86,582
MoM	-18.6%	-0.4%	10.4%	-7.0%	0.1%	-29.1%	49.8%	1.5%	2.8%	3.3%	-5.4%	-4.6%
YoY	-14.5%	-13.5%	-11.4%	-18.0%	-16.5%	1.1%	-17.1%	-11.5%	-0.4%	-9.5%	-9.9%	-14.1%
Total LCGC	16,962	17,232	18,192	19,404	18,263	10,726	19,694	16,917	19,252	21,218	20,603	18,991
MoM	-97.1%	1.6%	5.6%	6.7%	-5.9%	-41.3%	83.6%	-14.1%	13.8%	10.2%	-2.9%	-7.8%
YoY	-16.8%	-7.8%	-16.3%	-12.7%	-16.9%	-11.9%	-5.7%	-3.5%	26.6%	-3.4%	-3.7%	3.3%
Astra Market Share	51.5%	51.0%	55.8%	56.6%	53.7%	44.5%	49.8%	51.9%	55.6%	53.4%	52.7%	47.4%
Astra-LCGC Market Share	68.0%	68.3%	74.9%	75.6%	73.9%	70.7%	68.3%	69.1%	70.4%	69.3%	67.6%	73.9%
Total Astra Sales (Cum)	42,202	83,876	134,229	181,720	226,804	253,278	297,637	344,581	396,258	447,538	495,357	536,402
YoY	-7.8%	-7.9%	-5.4%	-5.8%	-6.1%	-5.6%	-7.9%	-8.0%	-6.6%	-7.5%	-7.6%	-7.8%
Total Astra LCGC (Cum)	11,537	23,303	36,936	51,599	65,102	72,680	86,134	97,817	111,361	126,068	139,994	154,022
YoY	-19.5%	-15.2%	-11.7%	-12.2%	-13.4%	-13.2%	-12.5%	-13.3%	-12.5%	-11.9%	-11.0%	-9.9%
Total WS (Cum)	81,988	163,631	253,794	337,643	421,570	481,072	570,211	660,650	753,578	849,541	940,339	1,026,921
YoY	-14.5%	-14.0%	-13.1%	-14.4%	-14.8%	-13.1%	-13.8%	-13.5%	-12.0%	-11.8%	-11.6%	-11.8%
Total LCGC (Cum)	16,962	34,194	52,386	71,790	90,053	100,779	120,473	137,390	156,642	177,860	198,463	217,454
YoY	-16.8%	-12.5%	-13.8%	-13.5%	-14.2%	-14.0%	-12.7%	-11.7%	-8.3%	-7.7%	-7.3%	-6.5%
Astra Market Share (Cum)	51.5%	51.3%	52.9%	53.8%	53.8%	52.6%	52.2%	52.2%	52.6%	52.7%	52.7%	52.2%
Astra-LCGC Market Share (Cum)	68.0%	68.1%	70.5%	71.9%	72.3%	72.1%	71.5%	71.2%	71.1%	70.9%	70.5%	70.8%

Source: Company data, Sinarmas Investment Research

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