

The Fed cut rate by 25 bps on Wednesday, 18 September 2019, but leaves market uncertain regarding their next move.

The move came amidst a global slowdown and the ongoing US-China trade war. Seven out of ten Fed officials voted in favor of lowering the benchmark federal-funds rate to a range between 1.75% and 2%, with two reserve bank presidents preferring to hold rates steady and one favoring a larger, half-point cut. The dot plot signaled no future rate cuts, however, Powell left the door open for additional cuts. The less dovish stance was driven by economic data that has surprised on the upside in the past few months. Despite business investments and exports weakening, consumer spending has been robust as indicated by retail sales data. Markets has reacted relatively mixed and slightly positive in the few days post Fed meeting boosted by hopes of progress from the US and China resuming discussion. The Fed also injected money into the financial system due to a spike in demand in the repo market. All in all, these should be positive for interest rate sensitive sectors such as property, banking, as well as gold.

BI cut 7-DRRR in September meeting. Bank Indonesia through its monthly governor meeting cut benchmark rate, 7-DRRR by 25bps to 5.25%, in-line with consensus expectation. This marked the third consecutive rate cut that the central bank has done in 2019. The governor, Perry Warjiyo, explained that Thursday's move was a preemptive step to support the momentum of domestic economic growth amid slowing global economic condition. He also indicates that the central bank would continue with an accommodative policy mix. In addition, BI relaxed rules for property and vehicle loans as means to encourage growth. Given the recent released Fed's dot plot which indicates the possibility of no further cut until 2019 ends, we think that 7DRRR would also remain at current level.

Further relaxation on mortgages' LTV ratio and lower down payment for auto loans.

Bank Indonesia (BI) has further relaxed the LTV ratio for property mortgages and lowered down the down payment (DP) requirement for auto loans. The new regulation provides a 5% higher LTV ratio from the previous one, and 5% lower DP requirement for auto loans. The purpose of the macro-prudential policies is to support both property and automotive sectors, which have high correlation to the economy. Moreover, BI also introduced green financing with 5% higher LTV and 5% lower DP requirement from normal mortgage and auto loans. These easing policies are applied on the back of BI's consideration of current debtors' abilities to repay loans and credit risk of the industry. The new regulation would come into effect on 2 December 2019. We believe that the easing brings some positive effects to the property sector, especially on the first home buyer segment with prices below IDR 1.5bn. However, we do not think that the green financing which comes with high LTV and low DP will have a significant impact on demands for green property and green vehicle, considering their relatively higher pricing points to non-green ones. We also think that the buyers of green products might not prefer high LTV financing.

Plan to erase the permit to build (IMB). The Ministry of Agrarian Affairs and Spatial Planning/National Land Agency proposed to revise the rules of Building Permit (IMB). The plan arises after thought that entrepreneurs often complain about licensing as a barrier to invest. In common practice, every building which is about to start construction needs IMB, and sometimes it can take a while for the permit to be issued. If this

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requirement is removed, the government will monitor and inspect the finished building whether it complies with the specification given. If the building violate requirements, the building can be demolished. We believe that the revocation of IMB could bring good impacts to the developer as it would reduce the construction period and slightly minimize the development cost. Although this plan leads to positive sentiment on the developer, it has no impact for the demand side.

Trade balance turned surplus on lower non O&G imports. Indonesia recorded a slight trade surplus of USD 85mn in Aug-19, from USD 65mn deficit in previous month. Export declined by 10% while import dropped deeper by 15.6%. Looking at the details, O&G trade balance deteriorated while non O&G trade balance saw an improvement. For O&G, both export and import tumbled by 38.5%/46.5% respectively bringing O&G balance deficit at USD 755mn (from previous month of USD 143mn deficit). Meanwhile for non O&G, export and import growth were at -7.2%/-8.8%, whereas import was better than July's figures at -11.9%. This left non O&G balance at USD 840mn surplus (from previous month of USD 78mn). Declines were seen in all categories, consumer (-12.1%), raw materials (-18.1%) and capital goods (-5.8%) which we view could signal lower manufacturing activities. Overall, we view a better trend on Indonesia's trade figures this year, however upcoming months' figures will be dependent on commodity prices. The recent spike in oil price, if sustain may give some pressure on upcoming trade data.

Oil wrap. Oil price dropped 8.4% from its peak after rising 15.5% on Monday on the back of Iranian-backed Houthi rebels from Yemen attacked on two of Saudi oil infrastructures: the Abqaiq processing facility (7 MMBbld capacity) and Khurais field (1.45 MMBbld capacity) that wiped out ~5% of global oil supply. However, comment from Saudi Energy Minister in the following press conference stated that over 50% of the oil output has been restored and the country aims to bring back their full capacity by end of September, which dragged oil price down to USD 58 per barrel level. The minister also indicated that they will meet all of its supply commitments by drawing on its stockpiles. In our view, despite supply concern has eased on the back of faster than expected recovery from Saudi, we see market is now factoring the impact of rising geopolitical risk. The US and Saudi Arabia are now blaming Iran for the attack, while Iran denied the allegation and they warned of "all out war" in the event of US and Saudi military strikes against their country. This heightens geopolitical risk even further and may support oil price in coming days.

BI Macroprudential Policy

Tabel 1. Rasio LTV/FTV Saat ini

	Memenuhi kriteria NPL/NPF		Tidak memenuhi kriteria NPL/NPF						
	KP & PP bdsr Akad Murabahah & Akad Istishna	PP bdsr akad MMQ & akad IMBT	PP bdsr akad murabahah & akad Istishna			PP bdsr akad MMQ & akad IMBT			
			1	2	≥3	1	2	≥3	
Rumah Tapak									
Tipe >70	- 80%	- 85%	80%	70%	60%	85%	75%	65%	
Tipe >21 - 70	- 85%	- 90%	- 80%	70%		- 80%	70%		
Tipe ≤21	-	-	-	-	-	-	-	-	
Rumah Susun									
Tipe > 70	- 80%	- 85%	80%	70%	60%	85%	75%	65%	
Tipe >21 - 70	- 85%	- 85%	90%	80%	70%	90%	80%	70%	
Tipe ≤21	- 85%	- 85%	- 80%	70%		- 80%	70%		
Ruko/Rukan	- 85%	- 85%	- 80%	70%		- 80%	70%		

Tabel 2. Rasio LTV/FTV Baru

	Memenuhi kriteria NPL/NPF		Tidak memenuhi kriteria NPL/NPF						
	KP & PP bdsr Akad Murabahah & Akad Istishna	PP bdsr akad MMQ & akad IMBT	PP bdsr akad murabahah & akad Istishna			PP bdsr akad MMQ & akad IMBT			
			1	2	≥3	1	2	≥3	
Rumah Tapak									
Tipe >70	- 85%	- 90%	85%	75%	65%	90%	80%	70%	
Tipe >21 - 70	- 90%	- 95%	- 85%	75%		- 85%	75%		
Tipe ≤21	-	-	-	-	-	-	-	-	
Rumah Susun									
Tipe > 70	- 85%	- 90%	85%	75%	65%	90%	80%	70%	
Tipe >21 - 70	- 90%	- 90%	95%	85%	75%	95%	85%	75%	
Tipe ≤21	- 90%	- 90%	- 85%	75%		- 85%	75%		
Ruko/Rukan	- 90%	- 90%	- 85%	75%		- 85%	75%		

Source: Bank Indonesia, Sinarmas Investment Research

BI Macprudential Policy

Tabel 3. Rasio LTV/FTV Berwawasan Lingkungan

	Memenuhi kriteria NPL/NPF				Tidak memenuhi kriteria NPL/NPF					
	KP & PP bdsr Akad Murabahah & Akad Istishna		PP bdsr akad MMQ & akad IMBT		PP bdsr akad murabahah & akad Istishna			PP bdsr akad MMQ & akad IMBT		
	1	≥2	1	≥2	1	2	≥3	1	2	≥3
Rumah Tapak										
Tipe >70	-	90%	-	95%	90%	80%	70%	95%	85%	75%
Tipe >21 - 70	-	95%	-	-	-	90%	80%	-	90%	80%
Tipe ≤21	-	-	-	-	-	-	-	-	-	-
Rumah Susun										
Tipe > 70	-	90%	-	95%	90%	80%	70%	95%	85%	75%
Tipe >21 - 70	-	95%	-	95%	-	90%	80%	-	90%	80%
Tipe ≤21	-	95%	-	95%	-	90%	80%	-	90%	80%
Ruko/Rukan	-	95%	-	95%	-	90%	80%	-	90%	80%

Tabel 4. Uang Muka Kendaraan Bermotor Saat ini

	Ketentuan Saat Ini	
	Memenuhi kriteria NPL/NPF	Tidak memenuhi kriteria NPL/NPF
Roda Dua	20%	25%
Roda Tiga / Lebih (non produktif)	25%	30%
Roda Tiga / Lebih (produktif)	20%	

Tabel 5. Uang Muka Kendaraan Bermotor Baru

	Uang Muka kendaraan bermotor	
	Memenuhi kriteria NPL/NPF	Tidak memenuhi kriteria NPL/NPF
Roda Dua	15%	20%
Roda Tiga / Lebih (non produktif)	15%	25%
Roda Tiga / Lebih (produktif)	10%	15%

Tabel 6. Uang Muka Kendaraan Bermotor Berwawasan Lingkungan

	Uang Muka kendaraan berwawasan lingkungan	
	Memenuhi kriteria NPL/NPF	Tidak memenuhi kriteria NPL/NPF
Roda Dua	10%	15%
Roda Tiga / Lebih (non produktif)	10%	20%
Roda Tiga / Lebih (produktif)	5%	10%

Source: Bank Indonesia, Sinarmas Investment Research

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