

PIER Snapshot: Jan-24 CPI

01 February 2024

Jan-24 CPI: Inflation Eased, Dragged Down by Transportation Fares

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CPI Review

- Inflation in Jan-24 eased to 0.04%mom or 2.57%yoy from 0.42%mom or 2.81%yoy in Dec-23. Main driver of weaker inflation in the beginning of the year was deflation in Administered Prices (AP) Index, especially from air transportation fares. Meanwhile, Volatile Price Index was muted due to a mixed movement from some food prices.
- Volatile Price inflation eased in Jan-24 mainly because food inflation recorded a mixed trend in Jan-24. Some food commodities posted inflation, such as tomatoes, shallots, and rice, while the others recorded deflation such as bird's eye chili, red chili, and chicken eggs. Lower price of chilis was caused by harvest season starting the end of Dec-23. The harvest season increased the chili supply, hence triggering deflation, as demand normalized post year-end holidays. Meanwhile, rice price still increased because of extreme weather and logistic issues in some regions. This implied that the main driver of volatile price inflation was more of supply-side disruption. Volatile Price inflation rose by 0.01%mom or 7.22%yoy from 1.42%mom or 8.71%yoy in Dec-23.
- AP index recorded deflation of 0.48%mom or inflation of 1.74%yoy in Jan-24, driven by deflation in transportation basket. Air transportation fares became the main contributor of deflation due to the seasonal effect post year-end holidays. Lower air transportation fares were caused by lower global oil prices, which also triggered deflation for non-subsidized fuel prices. Overall, transportation expenditure group recorded deflation of 0.87%mom.
- Core inflation slightly strengthened by 0.20%mom in Jan-24 from 0.14%mom in Dec-23 although annually it eased to 1.68%yoy from 1.82%yoy. Rising monthly core inflation in Jan-24 was caused by higher prices of rice with side dishes and gold jewelry. Higher price of rice with side dishes could be related to rising inflation of foodstuff, especially rice, in the last 2-3 months, which also affected food service fees. Higher price of gold jewelry was driven by weaker Rupiah exchange rate trend, increasing domestic gold prices despite global gold price weakening in Jan-24.

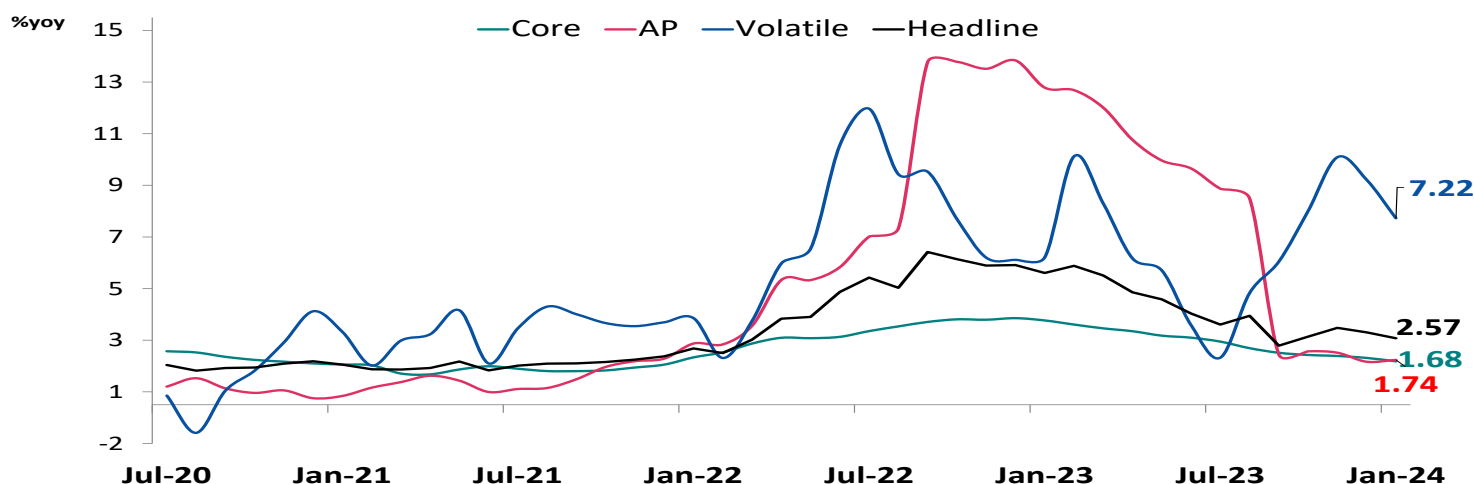
Economic and Market Implication

- **Inflation may be lower than expected this year.**
Starting this year, Statistics Indonesia uses new base year 2022=100 for CPI in which changed the weighting of inflation components and added more regions in the inflation basket. Based on latest release of Statistics Indonesia regarding the weighting, foodstuff basket weighting was increased. The change will affect the trend of inflation in 2024, especially if the foodstuff components eased after El-Nino was over in the middle of 2024. This could drag the inflation lower than previously expected. Nevertheless, we still expect that inflation in 2024 will be around 3%, within BI's target range of 1.5 – 3.5%. Stable inflation in 2024 may give enough space for BI to cut BI-rate in 2024, specifically in the second half. Based on BI's statement, BI still concerns regarding the risk of imported inflation sourced from Rupiah movement during high global uncertainty. Thus, we expect that if Rupiah begins to appreciate fundamentally and substantially, BI may start considering for performing BI-rate cut. We continue to uphold our expectation for BI to slash BI-rate by 50bps to 5.50% in the second half of 2024.

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Indonesia Headline Inflation and Its Components



Source: Statistics Indonesia & Permata Institute for Economic Research

Deflation in Transportation Fares Pulling Down Inflation

Changes in Consumer Price Index 2018 Base Year (percent)

	M-on-M changes			Y-on-Y changes		
	Nov-23	Dec-23	Jan-24	Nov-23	Dec-23	Jan-24
Food, Drink, and Tobacco	1.23	1.07	0.18	6.71	6.88	5.84
Clothing and Footwear	-0.04	0.18	0.02	0.69	1.10	1.02
Housing, Water, Electricity, and Other Fuels	0.04	0.01	0.14	1.12	0.80	0.58
Equipment, Tools, and Household Maintenance	-0.03	0.10	0.04	1.63	1.40	1.20
Health	0.21	0.04	0.49	2.04	1.79	1.88
Transportation	0.07	0.45	-0.87	1.27	0.82	1.11
Information, Communication, and Financial Services	-0.02	0.07	-0.05	0.07	-0.05	-0.11
Recreation, Sport, and Culture	0.10	0.54	0.26	1.38	1.67	1.68
Education	0.01	0.00	0.03	1.98	1.66	1.57
Food Service and Restaurant	0.07	0.03	0.31	2.18	2.40	2.37
Personal Care and Other Services	0.53	0.46	0.37	3.76	3.50	3.01
Headline	0.38	0.41	0.04	2.98	2.81	2.57

Source: Statistics Indonesia & Permata Institute for Economic Research

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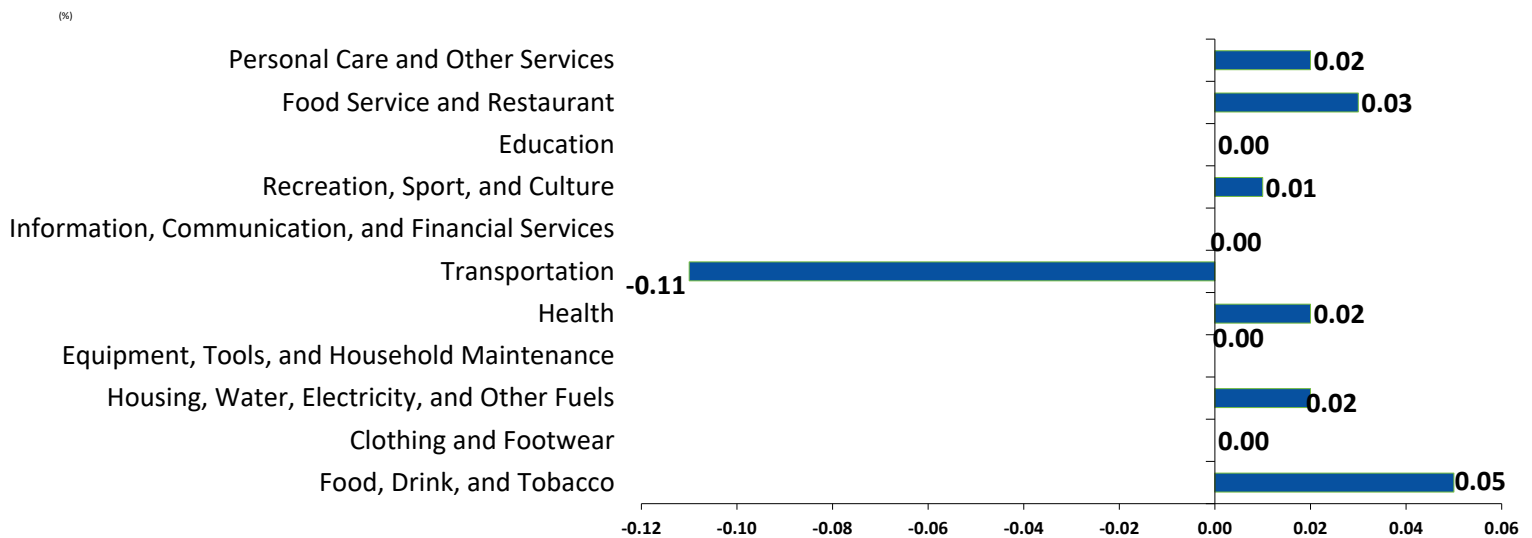
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Administered Prices Recorded Monthly Deflation

Changes in Consumer Price Index 2018 Base Year (percent)

	M-on-M changes			Y-on-Y changes		
	Nov-23	Dec-23	Jan-24	Nov-23	Dec-23	Jan-24
Core	0.12	0.14	0.20	1.89	1.82	1.68
Administered	0.08	0.39	-0.48	2.01	1.66	1.74
Volatile	1.72	1.42	0.01	9.59	8.71	7.22
Headline	0.46	0.42	0.04	2.98	2.81	2.57

Contributors to Jan-24 CPI (%)



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PIER's Economic & Market Forecast

	2019	2020	2021	2022	2023F	1Q24F	2Q24F	3Q24F	4Q24F	2024F	2025F	2026F
National Account												
Real GDP (% yoy)	5.02	-2.07	3.70	5.31	5.04	5.10	5.11	5.05	5.00	5.07	5.15	5.26
Inflation & Unemployment												
Headline Inflation Rate (% yoy, avg)	3.03	2.04	1.56	4.21	3.69	2.97	3.10	3.15	3.07	3.07	3.15	3.18
Headline Inflation Rate (% yoy, eop)	2.72	1.68	1.87	5.51	2.61	3.05	3.18	3.12	3.08	3.08	3.25	3.15
Unemployment Rate (%)	5.18	7.07	6.49	5.86	5.32	5.14	5.14	5.28	5.28	5.28	5.14	4.91
Fiscal Condition												
Fiscal Balance (% of GDP)	-2.20	-6.14	-4.57	-2.35	-1.65	0.25	0.05	-0.75	-2.14	-2.14	-2.00	-2.04
IDR 10-year Bond Yield (%)	7.06	5.89	6.38	6.94	6.48	6.62	6.65	6.33	6.26	6.26	6.04	5.63
External Sector												
Trade Balance (USD bn)	-3.59	21.62	35.42	54.40	36.93	7.56	6.11	5.44	6.52	25.63	23.41	17.22
Goods Balance (USD bn)	3.51	28.30	43.81	62.67	45.08	9.57	8.13	7.44	8.54	33.68	31.44	25.24
Current Account (USD bn)	-30.28	-4.43	3.51	12.87	-2.01	-1.35	-3.37	-3.31	-2.36	-10.38	-18.67	-26.63
Current Account (% of GDP)	-2.71	-0.42	0.30	0.98	-0.14	-0.38	-0.92	-0.88	-0.60	-0.70	-1.13	-1.46
Foreign Reserves (USD bn)	129.18	135.90	144.91	137.23	146.38	151.84	143.24	143.87	152.18	152.18	156.04	157.88
USD/IDR (avg)	14,141	14,529	14,297	14,874	15,248	15,451	15,450	15,304	15,138	15,336	14,918	14,691
USD/IDR (eop)	13,866	14,050	14,253	15,568	15,397	15,468	15,444	15,241	15,093	15,093	14,783	14,565
Interest Rate												
Fed Funds Rate (%)	1.75	0.25	0.25	4.50	5.50	5.50	5.50	5.25	4.75	4.75	3.75	2.75
BI Rate (%)	5.00	3.75	3.50	5.50	6.00	6.00	6.00	6.00	5.50	5.50	4.50	4.00
Average Lending Rate (%)	10.52	9.67	9.16	9.16	9.27	9.28	9.23	9.21	9.15	9.15	8.55	8.00

Source: Permata Institute for Economic Research (PIER)

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Scan di sini untuk membaca report selengkapnya:



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