

# PIER Snapshot: Feb-24 CPI

## 01 April 2024

# Mar-24 CPI: Inflation Soared due to Heightened Seasonal Demand during Ramadan

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## CPI Review

- In Mar-24, the Consumer Price Index (CPI) inflation rate saw a rise to 0.52%mom from 0.37%mom in Feb-24. On an annual basis, CPI inflation rate experienced a notable increase, climbing above 3% to specifically 3.05%yoy from 2.75%yoy. The realization figure was still within this year's target range of 1.5 – 3.5%. Yet, this marked the highest rate since Aug-23, with food prices experiencing their most significant increase in 18 months, coinciding with the fasting month of Ramadan, and preceding the Eid al-Fitr celebration. The uptick in inflation in Mar-24 was primarily driven by volatile price inflation, particularly in food prices, influenced by factors on both the supply and demand sides. Domestic food supply continued to be disrupted due to the lingering effects of El-Nino, albeit to a lesser extent than in the previous period, while demand for food increased due to the seasonal impact of Ramadan. Historically, the Ramadan and Eid al-Fitr period has contributed to high inflation, following a surge in consumer demand during these periods. The year-to-date (ytd) inflation for Jan – Mar-24 stood at 0.93%ytd, higher than the same period in the previous year, which recorded 0.69%ytd.
- Volatile price inflation continued its upward trajectory in Mar-24, driven by increased prices of various food items. The highest contributors to inflation among food items included chicken meat, chicken eggs, and rice, each contributing 0.09 percentage points (ppt) to inflation. Additionally, bird's eye chili and onions each contributed 0.02ppt to inflation. The heightened demand for food items was associated with seasonally increased food demand during the Ramadan period. Volatile price inflation increased by 2.16%mom, up from 1.53%mom in the previous month. On an annual basis, volatile price inflation surged to 10.33%yoy from 8.47%yoy in Feb-24.
- Administered Price (AP) inflation saw a surprising easing in Mar-24, primarily due to deflation in air transportation fares. Usually, air transportation fares tend to be one of significant contributors to inflation during the Ramadan and Eid al-Fitr period, as demand for homecoming ("mudik") increases, leading to higher prices. However, last month witnessed a deflation of 0.97%mom in air transportation fares, contributing 0.01ppt deflation to headline inflation, deviating from the historical trend. Overall, monthly AP inflation decelerated to 0.08%mom from 0.15%mom, while annually, AP inflation slightly eased to 1.39%yoy from 1.67%yoy.
- In Mar-24, core inflation recorded a monthly inflation rate of 0.23%mom, up from the previous period's 0.14%mom. The annual core inflation also notably increased to 1.77%yoy from 1.68%yoy. This rise in core inflation was driven by higher gold prices, along with increased inflation in Ramadan and Eid-related goods and services. Gold prices surged due to the depreciation of the Rupiah and an uptick in global gold prices. Meanwhile, products and services associated with Ramadan and Eid, such as clothing and dining out, experienced heightened seasonal inflation.

## Economic and Market Implication

- **The short-term persistence of inflationary risk is likely.**  
The uptick in inflation during Mar-24 reflected the seasonal impact of Ramadan coinciding with the El-Nino phenomenon. Following historical trends, we anticipate that inflation will remain elevated in Apr-24 or during Eid al-Fitr long holidays before gradually subsiding in May-24 as the inflationary pressures stemming from heightened seasonal demand diminish. In 2H24, the inflationary risks related to food prices are expected to ease as the El-Nino effect wanes. However, on the flip side, inflationary pressures in 2H24 may arise from core inflation due to the implementation of excise duties on plastic and sweetened packaged beverages.

Our projection suggests that the inflation rate is poised for a manageable increase, transitioning from 2.61% in 2023 (base year: 2018=100) or 2.81% in 2023 (base year: 2022=100) to 3.08% by the end of 2024. Despite this upward trend, the estimated rate remains within the target range of 1.5 – 3.5%, allowing Bank Indonesia's room to consider a reduction in the BI-rate, particularly in 2H24.

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## Indonesia Headline Inflation and Its Components



Source: Statistics Indonesia & Permata Institute for Economic Research

## Transportation Component Surprisingly Eased in Mar-24

### Changes in Consumer Price Index 2022 Base Year (percent)

	M-on-M changes			Y-on-Y changes		
	Jan-24	Feb-24	Mar-24	Jan-24	Feb-24	Mar-24
Food, Drink, and Tobacco	0.18	1.00	1.42	5.84	6.36	7.43
Clothing and Footwear	0.02	0.07	0.22	1.02	0.90	0.89
Housing, Water, Electricity, and Other Fuels	0.14	0.06	0.02	0.58	0.57	0.55
Equipment, Tools, and Household Maintenance	0.04	0.12	0.08	1.20	1.13	1.03
Health	0.49	0.22	0.21	1.88	1.95	2.17
Transportation	-0.87	0.17	0.04	1.11	1.40	0.99
Information, Communication, and Financial Services	-0.05	-0.03	-0.02	-0.11	-0.13	-0.13
Recreation, Sport, and Culture	0.26	0.09	0.01	1.68	1.68	1.62
Education	0.03	0.02	0.15	1.57	1.55	1.70
Food Service and Restaurant	0.31	0.17	0.33	2.37	2.38	2.51
Personal Care and Other Services	0.37	0.21	0.70	3.01	3.09	3.56
<b>Headline</b>	<b>0.04</b>	<b>0.37</b>	<b>0.52</b>	<b>2.57</b>	<b>2.75</b>	<b>3.05</b>

Source: Statistics Indonesia & Permata Institute for Economic Research

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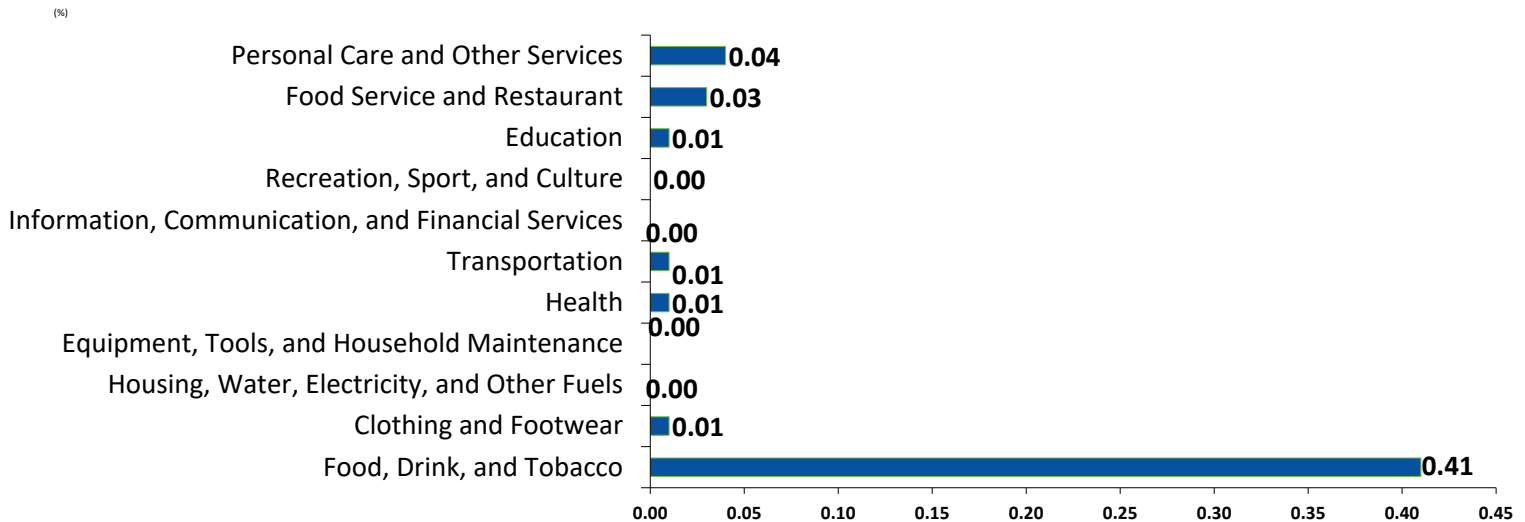
## Eid Period Drove Higher Volatile Price Inflation

### Changes in Consumer Price Index 2022 Base Year (percent)

	M-on-M changes			Y-on-Y changes		
	Jan-24	Feb-24	Mar-24	Jan-24	Feb-24	Mar-24
Core	0.20	0.14	0.23	1.68	1.68	1.77
Administered	-0.48	0.15	0.08	1.74	1.67	1.39
Volatile	0.01	1.53	2.16	7.22	8.47	10.33
<b>Headline</b>	<b>0.04</b>	<b>0.37</b>	<b>0.52</b>	<b>2.57</b>	<b>2.75</b>	<b>3.05</b>

Source: Statistics Indonesia & Permata Institute for Economic Research

### Contributors to Mar-24 CPI (%)



Source: Statistics Indonesia & Permata Institute for Economic Research

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### PIER's Economic & Market Forecast

	2019	2020	2021	2022	2023	1Q24F	2Q24F	3Q24F	4Q24F	2024F	2025F	2026F
<b>National Account</b>												
Real GDP (% yoy)	5.02	-2.07	3.70	5.31	5.05	5.10	5.11	5.05	5.00	5.07	5.15	5.26
Real Consumption: Private (% yoy)	5.04	-2.63	2.02	4.93	4.82	5.18	5.20	5.15	5.05	5.14	5.10	5.12
Real Consumption: Government (% yoy)	3.27	2.12	4.24	-4.51	2.95	5.05	4.79	4.81	5.05	4.93	5.52	6.09
Real Gross Fixed Capital Formation (% yoy)	4.45	-4.96	3.80	3.87	4.40	4.58	4.23	5.13	5.11	4.78	5.83	6.62
Nominal GDP (IDR tn) - nominal	15,832.66	15,443.35	16,976.75	19,588.09	20,892.38	5,485.18	5,656.44	5,727.52	5,731.41	22,600.55	24,479.95	26,548.14
Nominal GDP (USD bn) - nominal	1,119.10	1,059.93	1,186.29	1,318.68	1,371.47	355.01	366.11	374.25	378.60	1,473.98	1,641.11	1,807.17
<b>Inflation &amp; Unemployment</b>												
Headline Inflation Rate (2022=100, % yoy, avg)	2.82	2.04	1.56	4.14	3.73	2.79	3.10	3.15	3.07	3.07	3.15	3.18
Headline Inflation Rate (2022=100, % yoy, eop)	2.59	1.68	1.87	5.41	2.81	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
<b>Fiscal Condition</b>												
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
<b>External Sector</b>												
Trade Balance (USD bn)	-3.59	21.62	35.42	54.46	36.91	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	46.35	9.57	8.13	7.44	8.54	33.68	31.44	25.24
Current Account (USD bn)	-30.28	-4.43	3.51	13.22	-1.57	-1.35	-3.37	-3.31	-2.36	-10.38	-18.67	-26.63
Current Account (% of GDP)	-2.71	-0.42	0.30	1.00	-0.11	-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
<b>Commodity Price</b>												
Coal Price (USD/MT)	66.2	83.0	169.7	379.2	141.8	133.1	124.4	121.0	117.5	117.5	103.8	90.3
CPO Price (USD/MT)	763.7	1,016.4	1,270.3	940.4	797.8	805.8	813.7	821.7	829.6	829.6	818.0	808.3
Oil Price (USD/BBL)	65.85	49.87	74.31	80.90	77.9	77.8	77.7	79.0	80.3	80.3	84.1	85.4
<b>Interest Rate</b>												
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
<b>Banking Sector</b>												
Loan (% yoy)	6.08	-2.40	5.24	11.35	10.38	10.48	10.58	10.69	10.79	10.79	11.34	11.78
TPF (% yoy)	6.54	11.11	12.21	9.01	3.73	4.84	6.28	8.15	10.57	10.57	9.39	9.22
LDR (%)	94.8	83.2	77.8	79.7	83.8	84.8	86.1	85.9	84.0	84.0	85.5	87.5
<b>Real Sector</b>												
Car Sales (Unit)	1,030,126	532,027	887,202	1,048,040	1,005,802	313,529	202,128	252,240	279,733	1,047,630	1,071,763	1,144,675
Car Sales (% yoy)	-10.5	-48.4	66.8	18.1	-4.0	-1.0	-9.7	1.2	25.4	4.2	2.3	6.8
Motorcycles Sales (Unit)	6,487,460	3,660,616	5,057,516	5,221,470	6,236,992	2,144,597	1,026,925	1,604,918	1,502,065	6,278,505	6,300,894	6,436,790
Motorcycles Sales (% yoy)	1.6	-43.6	38.2	3.2	19.4	17.6	-25.5	5.6	-0.9	0.7	0.4	2.2

Source: Permata Institute for Economic Research (PIER)

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