

PIER Snapshot: May-24 CPI

03 June 2024

May-24 CPI: Price Normalization following the Eid al-Fitr Festive Season has led to Moderate Deflation

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CPI Review

- In May-24, the Consumer Price Index (CPI) recorded deflation for the first time since Aug-23. The CPI showed a slight deflation of 0.03% month-on-month (mom) in May-24, following an inflation rate of 0.25%mom in Apr-24. The primary drivers of deflation in May-24 were the Volatile Price (VP) and Administered Price (AP) components, attributed to price normalization after the Eid al-Fitr festive season. Annually, CPI inflation rate decreased from 3.00% year-on-year (yoy) in Apr-24 to 2.84%yoy, within Bank Indonesia's target range of 1.5 – 3.5%. This was the lowest inflation rate since Feb-24. Historically, CPI components related to Eid al-Fitr demand tend to normalize in the month following the event. Year-to-date (ytd) inflation for Jan – May-24 was 1.16%, slightly higher than the same period the previous year, which was 1.12%.
- The monthly VP component recorded a deflation of 0.69%mom, deeper than the previous month's deflation of 0.31%mom. Among food commodities, rice had the most significant impact on deflation (-0.15 percentage points (ppt)), followed by chicken meat and fresh fish (each -0.03ppt), and tomatoes and bird's eye chili (each -0.02ppt). The deflation in May-24 was driven by a supply surge after the harvest season and demand normalization after Eid al-Fitr. However, shallots and red chili still experienced inflation, limiting the extent of deflation in May-24. Annually, VP inflation slowed to 8.14%yoy from 9.63%yoy in Apr-24.
- Similarly, the AP component recorded deflation in May-24, driven by the normalization of various transportation fees after Eid al-Fitr. Monthly AP saw deflation of 0.13%mom, compared to inflation of 0.62%mom in Apr-24. The most notable deflation contributions from AP components came from intercity transport (-0.03ppt), airline transport (-0.02ppt), and railway transport (-0.01ppt). As demand for transportation weakened post-festive season, most transportation fees declined throughout the month, contributing to the deflation trend in May-24. Annually, AP inflation eased slightly to 1.52% yoy from 1.54% yoy in Apr-24.
- Gold prices remained the main driver of core inflation in May-24, with gold jewelry contributing 0.05ppt to headline inflation. Higher gold prices were driven by stronger global gold prices amid increased global uncertainty. Additionally, weaker US economic indicators led to the depreciation of the US Dollar, typically resulting in higher commodity prices, including gold. Besides gold prices, core inflation was also boosted by food and accommodation services, which contributed 0.03ppt to headline inflation. Annually, core inflation rose from 1.82%yoy to 1.93%yoy. However, monthly core inflation in May-24 slowed to 0.17%mom from 0.29%mom due to demand normalization post Eid al-Fitr.

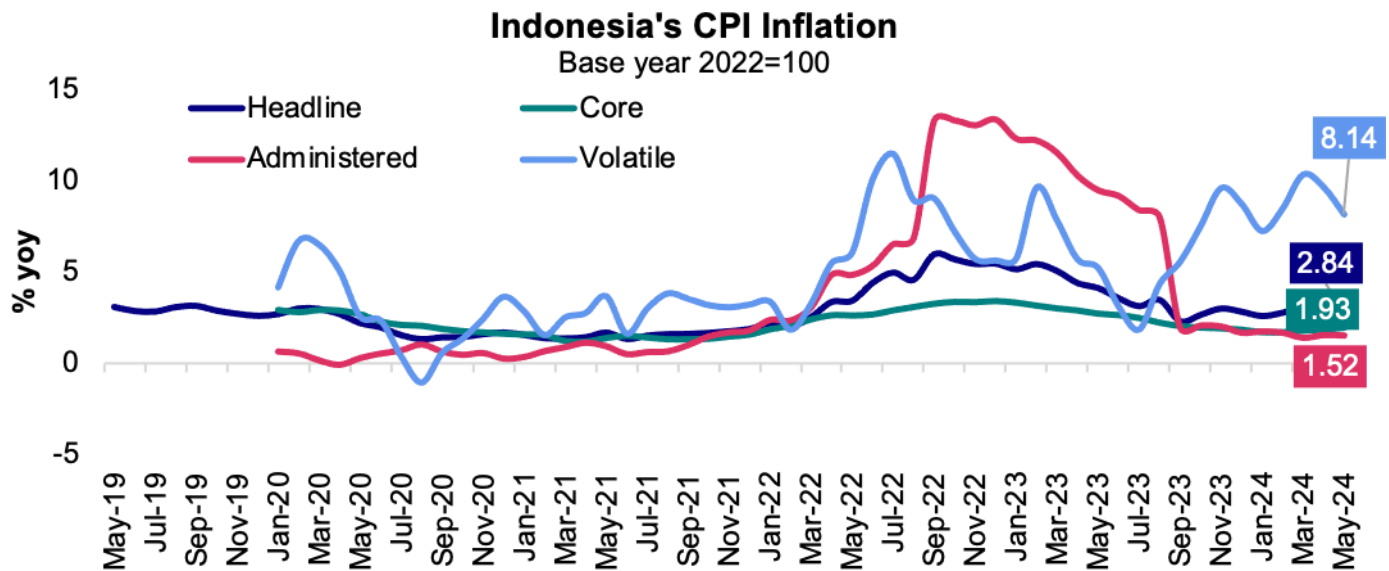
Economic and Market Implication

- **Inflationary pressure is anticipated to stabilize in the second half of 2024**
We maintain our inflation expectation within the target range of 1.5 – 3.5% for this year. Lower inflation is anticipated by the end of the first half of 2024 due to the harvest season reducing inflationary pressure over the past two months. However, in the second half of the year, inflationary risks may arise from the implementation of excise duties on plastic and sweetened packaged beverages, pending clear guidance from the government. The inflation rate is projected to moderately increase from 2.61% in 2023 (base year: 2018=100) or 2.81% in 2023 (base year: 2022=100) to approximately 3.08% by the end of 2024.
- **The stable inflation provides Bank Indonesia (BI) with the flexibility to maintain the current policy rate.**
Stable headline and core inflation within the target range will increase the likelihood of BI maintaining the policy rate, despite high uncertainty from the Fed's monetary policy path. We expect the BI-rate to remain at 6.25% until the end of 2024.

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Indonesia's Headline Inflation and Its Components



Source: Statistics Indonesia & Permata Institute for Economic Research

FBT and Transportation Drove Deflation in May-24

Changes in Consumer Price Index 2022 Base Year (percent)

	M-on-M changes			Y-on-Y changes		
	Mar-24	Apr-24	May-24	Mar-24	Apr-24	May-24
Food, Drink, and Tobacco	1.42	-0.03	-0.29	7.43	7.04	6.18
Clothing and Footwear	0.22	0.46	-0.04	0.89	0.67	1.10
Housing, Water, Electricity, and Other Fuels	0.02	0.01	0.08	0.55	0.50	0.54
Equipment, Tools, and Household Maintenance	0.08	0.16	0.05	1.03	0.99	0.85
Health	0.21	0.07	0.04	2.17	2.08	2.06
Transportation	0.04	0.93	-0.36	0.99	1.33	1.34
Information, Communication, and Financial Services	-0.02	-0.02	-0.05	-0.13	-0.13	-0.16
Recreation, Sport, and Culture	0.01	0.07	0.10	1.62	1.58	1.60
Education	0.15	0.02	0.00	1.70	1.72	1.71
Food Service and Restaurant	0.33	0.31	0.26	2.51	2.47	2.51
Personal Care and Other Services	0.70	1.33	0.87	3.56	4.31	4.99
Headline	0.52	0.25	-0.03	3.05	3.00	2.84

Source: Statistics Indonesia & Permata Institute for Economic Research

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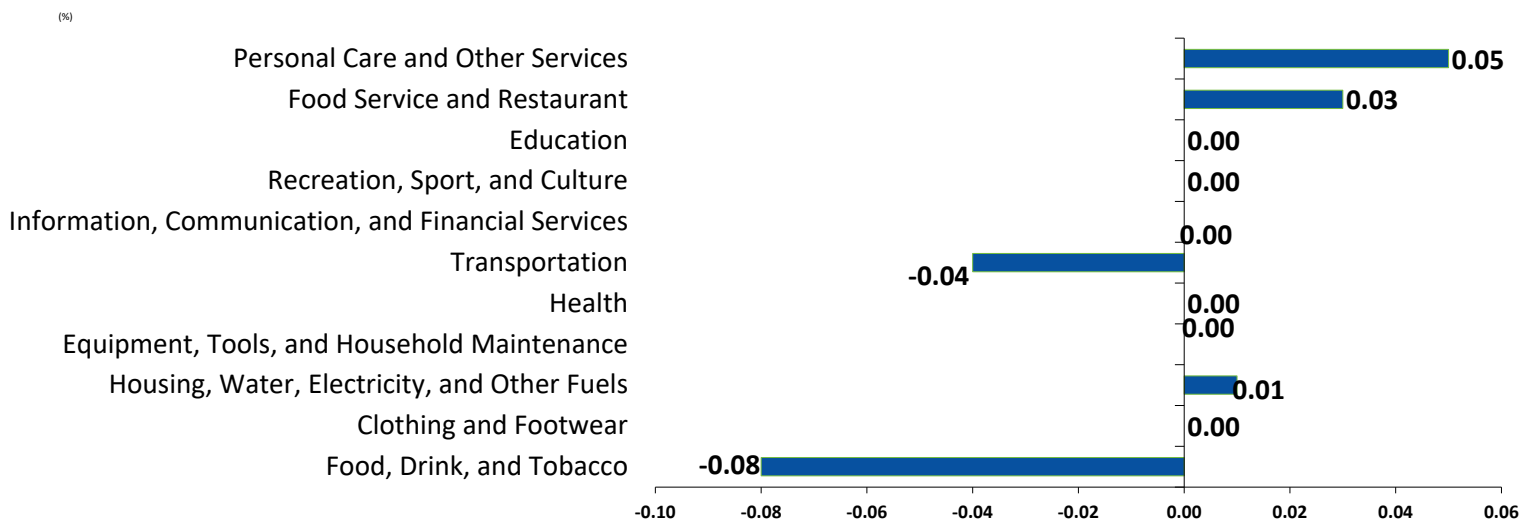
VP and AP Posted Deflation in May-24 After Eid al-Fitr Festive Season

Changes in Consumer Price Index 2022 Base Year (percent)

	M-on-M changes			Y-on-Y changes		
	Mar-24	Apr-24	May-24	Mar-24	Apr-24	May-24
Core	0.23	0.29	0.17	1.77	1.82	1.93
Administered	0.08	0.62	-0.13	1.39	1.54	1.52
Volatile	2.16	-0.31	-0.69	10.33	9.63	8.14
Headline	0.52	0.25	-0.03	3.05	3.00	2.84

Source: Statistics Indonesia & Permata Institute for Economic Research

Contributors to May-24 CPI (%)



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PIER's Economic & Market Forecast

	2019	2020	2021	2022	2023	1Q24	2Q24F	3Q24F	4Q24F	2024F	2025F	2026F
National Account												
Real GDP (% yoy)	5.02	-2.07	3.70	5.31	5.05	5.11	5.10	5.05	5.00	5.07	5.15	5.26
Real Consumption: Private (% yoy)	5.04	-2.63	2.02	4.93	4.82	4.91	4.88	4.95	5.00	4.93	5.10	5.12
Real Consumption: Government (% yoy)	3.27	2.12	4.24	-4.51	2.95	19.90	6.89	4.81	5.05	8.07	5.49	6.08
Real Gross Fixed Capital Formation (% yoy)	4.45	-4.96	3.80	3.87	4.40	3.79	3.63	3.79	4.89	4.04	5.83	6.62
Real Export (% yoy)	-0.48	-8.42	17.95	16.28	1.32	0.50	-1.09	1.27	4.95	1.50	9.61	10.41
Real Import (% yoy)	-7.13	-17.60	24.87	14.75	-1.65	1.77	-0.95	2.88	6.36	2.60	11.80	12.63
Nominal GDP (IDR tn) - nominal	15,832.66	15,443.35	16,976.75	19,588.09	20,892.38	5,288.29	5,655.74	5,727.73	5,731.44	22,403.21	24,266.91	26,317.21
Nominal GDP (USD bn) - nominal	1,119.10	1,059.93	1,186.29	1,318.68	1,371.47	337.70	346.45	353.39	354.71	1,392.25	1,534.97	1,732.43
Inflation & Unemployment												
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	3.03	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	4.82	4.82	4.94	4.94	4.94	5.03	4.93
Fiscal Condition												
Fiscal Balance (% of GDP)	-2.20	-6.14	-4.57	-2.35	-1.65	0.04	-0.30	-0.75	-2.18	-2.18	-2.56	-2.84
IDR 10-year Bond Yield (%)	7.06	5.89	6.38	6.94	6.48	6.73	7.25	7.16	7.10	7.10	6.39	5.87
External Sector												
Trade Balance (USD bn)	-3.59	21.62	35.42	54.46	36.91	7.31	6.11	5.44	6.52	25.38	23.41	17.22
Goods Balance (USD bn)	3.51	28.30	43.81	62.67	46.45	9.82	8.13	7.44	7.84	33.23	31.44	25.24
Current Account (USD bn)	-30.28	-4.43	3.51	13.22	-1.88	-2.16	-3.97	-3.91	-3.06	-13.10	-18.67	-26.63
Current Account (% of GDP)	-2.71	-0.42	0.30	1.00	-0.14	-0.64	-1.15	-1.11	-0.86	-0.94	-1.22	-1.54
Foreign Reserves (USD bn)	129.18	135.90	144.91	137.23	146.38	140.39	131.99	132.52	140.42	140.42	140.77	144.21
USD/IDR (avg)	14,141	14,529	14,297	14,874	15,248	15,783	16,325	16,208	16,158	16,119	15,817	15,201
USD/IDR (eop)	13,866	14,050	14,253	15,568	15,397	15,855	16,235	16,245	16,121	16,121	15,595	14,897
Commodity Price												
Coal Price (USD/MT)	66.2	83.0	169.7	379.2	141.8	131.5	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	942.9	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	85.5	81.0	80.7	80.3	80.3	78.9	82.0
Interest Rate												
Fed Funds Rate (%)	1.75	0.25	0.25	4.50	5.50	5.50	5.50	5.50	5.25	5.25	4.50	3.75
BI Rate (%)	5.00	3.75	3.50	5.50	6.00	6.00	6.25	6.25	6.25	6.25	5.50	4.75
Average Lending Rate (%)	10.52	9.67	9.16	9.16	9.27	9.28	9.34	9.40	9.41	9.41	8.97	8.30
Banking Sector												
Loan (% yoy)	6.08	-2.40	5.24	11.35	10.38	12.40	10.58	10.69	10.79	10.79	11.34	11.78
TPF (% yoy)	6.54	11.11	12.21	9.01	3.73	7.44	6.28	8.15	10.57	10.57	9.39	9.22
LDR (%)	94.8	83.2	77.8	79.7	83.8	84.2	86.1	85.9	84.0	84.0	85.5	87.5
Real Sector												
Car Sales (Unit)	1,030,126	532,027	887,202	1,048,040	1,005,802	215,069	202,128	252,240	279,733	949,170	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	1,735,090	1,026,925	1,604,918	1,502,065	5,868,997	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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Scan di sini untuk membaca report selengkapnya:



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