

PIER Snapshot: Nov-24 CPI

02 December 2024

Nov-24 CPI: Monthly Inflation Rose with Seasonal Year-end Demand.

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CPI Review

- *Our projections for monthly headline Consumer Price Index (CPI) inflation, annual headline CPI inflation, and annual core CPI inflation for Nov-24 match the actual figures (refer to our inflation preview for details).*
- Monthly headline CPI inflation accelerated in Nov-24; it rose from 0.08%mom to 0.30%mom, following its seasonal pattern. This increase was driven by higher Administered Price (AP) and Volatile Price (VP) Indices, which shifted from deflation in Oct-24 to inflation in Nov-24. Core CPI inflation remained robust, bolstered by relatively resilient demand and elevated gold prices. Meanwhile, the annual CPI maintained its disinflationary trajectory in 2024, easing from 1.71%yoy to 1.55%yoy. Year-to-date inflation for Jan to Nov-24 stood at 1.12%ytd, significantly lower than the 2.38%ytd recorded in the corresponding period last year.
- For the first time in eight months, the VP index recorded monthly inflation of 1.07%mom in Nov-24, rebounding from a deflationary figure of 0.11%mom in Oct-24. This resurgence was primarily driven by year-end seasonal demand and a reduced food supply as the effects of the harvest season fully waned. Notably, the prices of shallots and tomatoes surged significantly in Nov-24, each contributing 0.10ppt to inflation. On an annual basis, the VP index registered a slight deflation of 0.32%yoy, down from an inflation of 0.89%yoy in the previous month.
- A similar trend was observed in the AP Index, which rebounded from a 0.25%mom deflation to a 0.12%mom inflation in Nov-24. The primary drivers of this increase were higher cigarette prices, reflecting a broader rise in tobacco costs, and air transportation fares, fueled by growing travel demand ahead of the year-end holidays. On an annual basis, AP Index inflation edged up to 0.82%yoy from 0.77%yoy.
- Monthly core CPI inflation slightly moderated from 0.22%mom to 0.17%mom, reflecting continued resilience and aligning with the seasonal pattern of strengthening demand toward year-end. On an annual basis, this translated to 2.26%yoy. Gold jewelry remained a key contributor to upward core inflationary pressure, adding 0.04ppt to overall inflation. The rise in gold prices was driven by heightened uncertainty in the global macroeconomic environment following Trump's victory in the US presidential election.

Economic and Market Implication

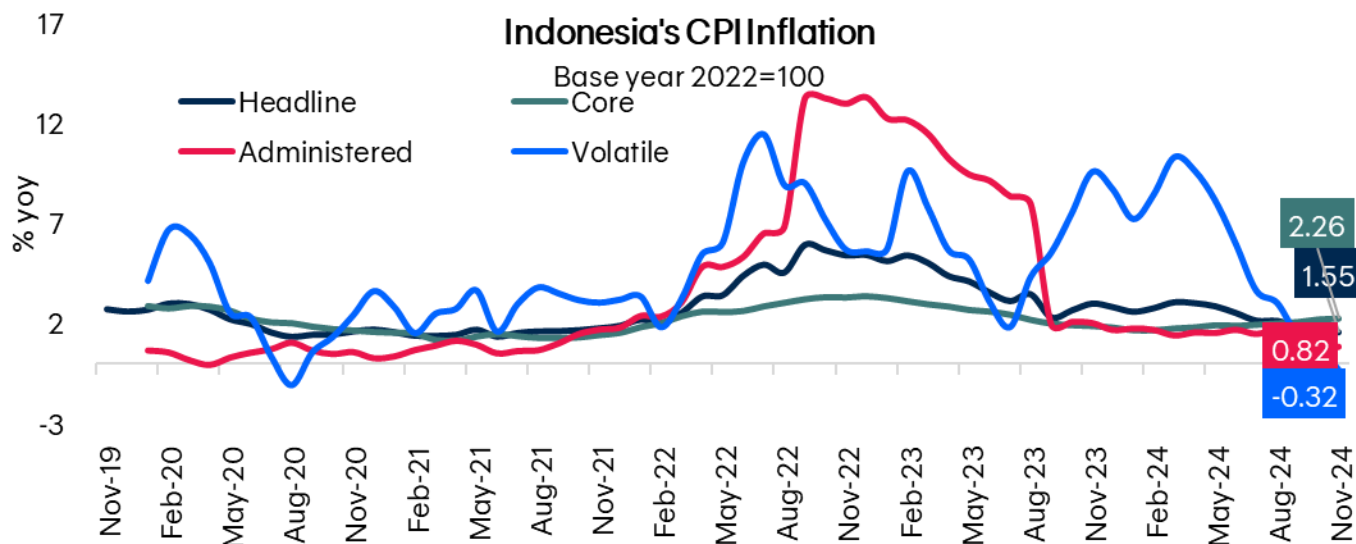
OUR PIERspective: We now anticipate inflation to remain below 2% by the end of 2024, with a projected increase to approximately 3% in 2025.

- Inflation is expected to remain within Bank Indonesia's target range of 1.5 – 3.5% in 2024. Global energy price pressures, driven by geopolitical tensions in the Middle East and the Euro area, are likely to be offset by a potential decline in global demand. Upside risks may arise toward the year's end, predominantly from seasonal demand increases associated with the Christmas and New Year holidays.
- We project the 2024 inflation rate to be ranging 1.7 – 2.0%, compared to 2.81% in 2023, reflecting a more subdued inflationary environment. This lower inflation trajectory could provide room for Bank Indonesia to consider reducing the BI-rate, particularly if aligned with potential Fed rate cuts.
- In 2025, inflation is expected to rise in tandem with several government policy measures. The 2025 Financial Note highlights plan to introduce an excise on sweetened packaged beverages and increase the VAT rate. Additionally, following the significant slowdown in 2024, the inflation rate will be influenced by a low base effect. Beyond policy-driven impacts, inflation is expected to accelerate due to improved consumer demand, potentially leading to a moderate demand-pull inflation.
- Despite the expected uptick, inflation is projected to remain controlled, reaching approximately 3.12% by the end of 2025, within Bank Indonesia's target range of 1.5 – 3.5%.

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Indonesia's Headline Inflation and Its Components



Source: Statistics Indonesia & Permata Institute for Economic Research

Foods related components started to experience inflation, driven by seasonal demand of year-end

Changes in Consumer Price Index 2022 Base Year (percent)

	M-on-M changes			Y-on-Y changes		
	Sep-24	Oct-24	Nov-24	Sep-24	Oct-24	Nov-24
Food, Drink, and Tobacco	-0.59	0.09	0.78	2.57	2.35	1.68
Clothing and Footwear	0.05	0.05	0.01	1.18	1.20	1.20
Housing, Water, Electricity, and Other Fuels	0.04	0.08	0.04	0.60	0.60	0.59
Equipment, Tools, and Household Maintenance	0.12	0.06	0.03	1.08	1.08	1.08
Health	0.04	0.15	0.14	1.69	1.71	1.65
Transportation	-0.16	-0.52	0.10	0.92	-0.08	0.03
Information, Communication, and Financial Services	-0.01	-0.03	-0.02	-0.28	-0.28	-0.28
Recreation, Sport, and Culture	0.05	0.05	0.05	1.55	1.53	1.49
Education	0.29	0.04	0.00	1.94	1.90	1.89
Food Service and Restaurant	0.13	0.25	0.17	2.25	2.36	2.40
Personal Care and Other Services	0.38	0.94	0.65	6.25	7.06	7.26
Headline	-0.12	0.08	0.30	1.84	1.71	1.55

Source: Statistics Indonesia & Permata Institute for Economic Research

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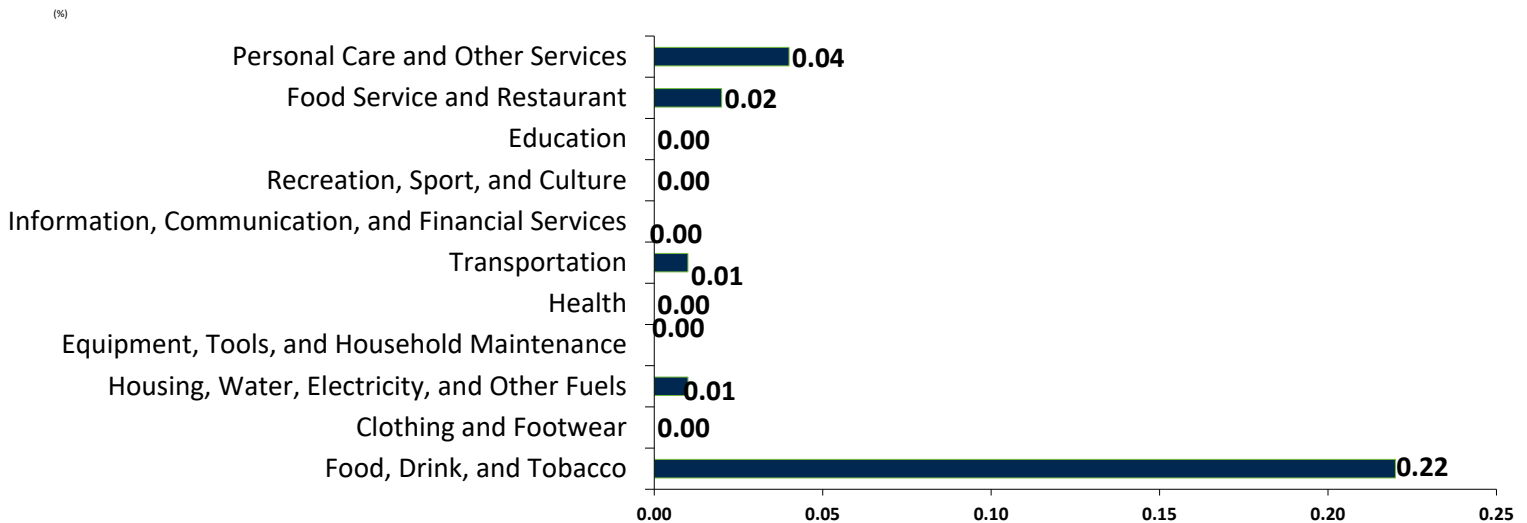
VP Index experienced inflation due to year-end demand increase

Changes in Consumer Price Index 2022 Base Year (percent)

	M-on-M changes			Y-on-Y changes		
	Sep-24	Oct-24	Nov-24	Sep-24	Oct-24	Nov-24
Core	0.16	0.22	0.17	2.09	2.21	2.26
Administered	-0.04	-0.25	0.12	1.40	0.77	0.82
Volatile	-1.34	-0.11	1.07	1.43	0.89	-0.32
Headline	-0.12	0.08	0.30	1.84	1.71	1.55

Source: Statistics Indonesia & Permata Institute for Economic Research

Contributors to monthly CPI change in Nov-24 (ppt)



Source: Statistics Indonesia & Permata Institute for Economic Research

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PIER's Economic & Market Forecast

	2023	1Q24	2Q24	3Q24	4Q24F	2024F	1Q25F	2Q25F	3Q25F	4Q25F	2025F	2026F	2027F
National Account													
Real GDP (% yoy)	5.05	5.11	5.05	4.95	5.00	5.03	5.14	5.13	5.17	5.14	5.15	5.26	5.34
Real Consumption: Private (% yoy)	4.82	4.91	4.93	4.91	5.00	4.94	5.08	5.05	5.02	5.00	5.04	5.12	5.17
Real Consumption: Government (% yoy)	2.95	19.91	1.42	4.62	5.05	6.66	3.97	5.25	5.78	6.02	5.37	6.08	6.16
Real Gross Fixed Capital Formation (% yoy)	4.40	3.79	4.43	5.15	4.89	4.58	5.13	5.79	6.07	6.26	5.83	6.62	6.70
Real Export (% yoy)	1.32	1.44	8.18	9.09	4.95	5.88	8.77	9.99	10.23	9.47	9.63	10.41	10.91
Real Import (% yoy)	-1.65	1.46	7.79	11.47	6.36	6.78	10.68	11.97	12.64	11.88	11.82	12.65	13.24
Nominal GDP (IDR tn) - nominal	20,892.38	5,288.49	5,536.50	5,638.89	5,691.22	22,155.09	5,692.27	5,972.23	6,103.13	6,161.37	23,928.99	25,871.71	27,924.71
Nominal GDP (USD bn) - nominal	1,371.47	337.72	342.37	356.92	361.01	1,398.02	363.26	380.47	390.62	397.06	1,531.42	1,685.56	1,828.18
Inflation & Unemployment													
Headline Inflation Rate (2022=100, % yoy, avg)	3.73	2.79	2.78	2.03	2.28	2.51	2.49	2.59	3.06	3.11	2.81	2.85	2.67
Headline Inflation Rate (2022=100, % yoy, eop)	2.81	3.05	2.51	1.84	2.33	2.33	2.50	2.74	3.06	3.12	3.12	2.91	2.38
Unemployment Rate (%)	5.32	4.82	4.82	4.91	4.94	4.94	4.94	4.94	5.03	5.03	5.03	4.93	4.88
Fiscal Condition													
Fiscal Balance (% of GDP)	-1.65	0.04	-0.34	-1.08	-2.63	-2.63	0.05	-0.93	-1.47	-2.67	-2.67	-2.85	-2.75
IDR 10-year Bond Yield (%)	6.48	6.73	7.07	6.45	6.66	6.66	6.79	6.58	6.56	6.45	6.45	6.29	6.25
External Sector													
Trade Balance (USD bn)	36.91	7.41	8.03	6.53	6.35	28.33	6.43	6.14	5.70	5.17	23.44	17.24	13.33
Goods Balance (USD bn)	46.27	9.29	10.03	9.29	8.35	36.97	8.43	8.14	7.70	7.17	31.44	25.24	15.33
Current Account (USD bn)	-2.15	-2.48	-3.25	-2.15	-2.76	-10.64	-3.20	-5.27	-4.81	-5.39	-18.67	-26.63	-39.47
Current Account (% of GDP)	-0.16	-0.73	-0.95	-0.60	-0.76	-0.76	-0.88	-1.38	-1.23	-1.36	-1.22	-1.58	-2.16
Foreign Reserves (USD bn)	146.38	140.39	140.18	149.92	152.07	152.07	153.36	152.94	154.00	153.95	153.95	152.33	143.06
USD/IDR (avg)	15,248	15,783	16,295	15,618	15,764	15,865	15,670	15,697	15,624	15,517	15,627	15,350	15,275
USD/IDR (eop)	15,397	15,855	16,375	15,140	15,729	15,729	15,717	15,625	15,626	15,475	15,475	15,309	15,232
Commodity Price													
Coal Price (USD/MT)	141.8	131.5	135.1	145.8	108.8	108.8	113.8	116.5	117.2	108.2	108.2	120.7	119.3
CPO Price (USD/MT)	797.8	942.9	873.7	932.6	846.3	846.3	860.5	868.3	871.6	850.1	850.1	892.2	897.1
Oil Price (USD/BBL)	77.9	85.5	82.6	80.9	74.9	74.9	78.2	79.8	80.2	74.4	74.4	82.9	82.4
Interest Rate													
Fed Funds Rate (%)	5.50	5.50	5.50	5.00	4.50	4.50	4.50	4.25	4.25	4.00	4.00	3.75	3.75
BI Rate (%)	6.00	6.00	6.25	6.00	5.75	5.75	5.75	5.50	5.50	5.50	5.50	5.50	5.50
Average Lending Rate (%)	9.27	9.27	9.27	9.24	9.28	9.28	9.02	8.98	8.94	8.96	8.96	8.98	9.00
Banking Sector													
Loan (% yoy)	10.38	12.40	12.36	10.85	10.79	10.79	10.92	11.06	11.20	11.34	11.34	11.78	12.09
TPF (% yoy)	3.73	7.44	8.45	7.04	8.00	8.00	9.89	11.17	11.41	10.70	10.70	9.22	12.12
LDR (%)	83.8	84.2	85.8	86.9	86.0	86.0	85.0	85.7	86.1	86.5	86.5	87.5	88.5
Real Sector													
Car Sales (Unit)	1,005,802	215,250	194,768	223,200	225,741	858,959	208,322	216,098	239,174	244,851	908,444	955,547	990,887
Car Sales (% yoy)	-4.0	-23.8	-13.0	-10.5	-9.7	-14.6	-3.2	11.0	7.2	8.5	5.8	5.2	3.7
Motorcycles Sales (Unit)	6,236,992	1,735,090	1,435,904	1,701,502	1,606,008	6,478,504	1,342,907	1,754,031	1,761,736	1,626,554	6,485,228	6,577,522	6,689,437
Motorcycles Sales (% yoy)	19.4	-4.9	4.2	12.0	6.0	3.9	-22.6	22.2	3.4	1.3	0.1	1.4	1.7

Note:

: quarterly realization

Source: Permata Institute for Economic Research (PIER)

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