

Sep-24 CPI: The Deflationary Trend Persists for Five Consecutive Months

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CPI Review

- In Sep-24, the headline CPI continued its deflationary trend, registering a monthly decline of -0.12%mom, a deeper deflation compared to the previous month's -0.03%mom. This marks the fifth consecutive month of deflation, the longest streak since 1999. Both the Administered Price (AP) and Volatile Price (VP) indices recorded declines of -0.04% mom and -1.34% mom, respectively, while core inflation saw a 0.16% mom increase. Following this significant monthly deflation, annual inflation dropped to 1.84%yoy in Sep-2024, down from 2.12%yoy. Year-to-date inflation for Jan – Sep-24 stood at 0.74%ytd, substantially lower than the 1.70%ytd recorded in the same period last year.
- The VP Index posted a deflation of -1.34%mom, deeper than the previous month's -1.24%mom. The harvest season for chilies was a major factor driving this deflation, with red chilies and bird's eye chilies contributing -0.09ppt and -0.08ppt, respectively, to the headline deflation. Other food commodities, such as eggs, chicken meat (each -0.02ppt), tomatoes, potatoes, chives, and carrots (each -0.01ppt), also contributed to the overall deflation. Annually, the VP Index eased to 1.43%yoy in Sep-24, down from 3.04%yoy.
- The adjustment in non-subsidized fuel prices in Sep-24 led to mild deflation in the AP Index, recording a -0.04%mom decrease. This reduction in fuel prices was driven by significant appreciation of the Rupiah and a downward trend in global oil prices. On an annual basis, AP Index inflation dropped to 1.40%yoy from 1.68%yoy.
- Core CPI inflation for Sep-24 eased slightly to 0.16%mom from 0.18%mom, while the annual core inflation rose to 2.09%yoy from 2.02%yoy. Education was the leading contributor to monthly core inflation, particularly due to higher education costs associated with the new academic year. Other components of the CPI showed no significant contributions to core inflation.

Economic and Market Implication

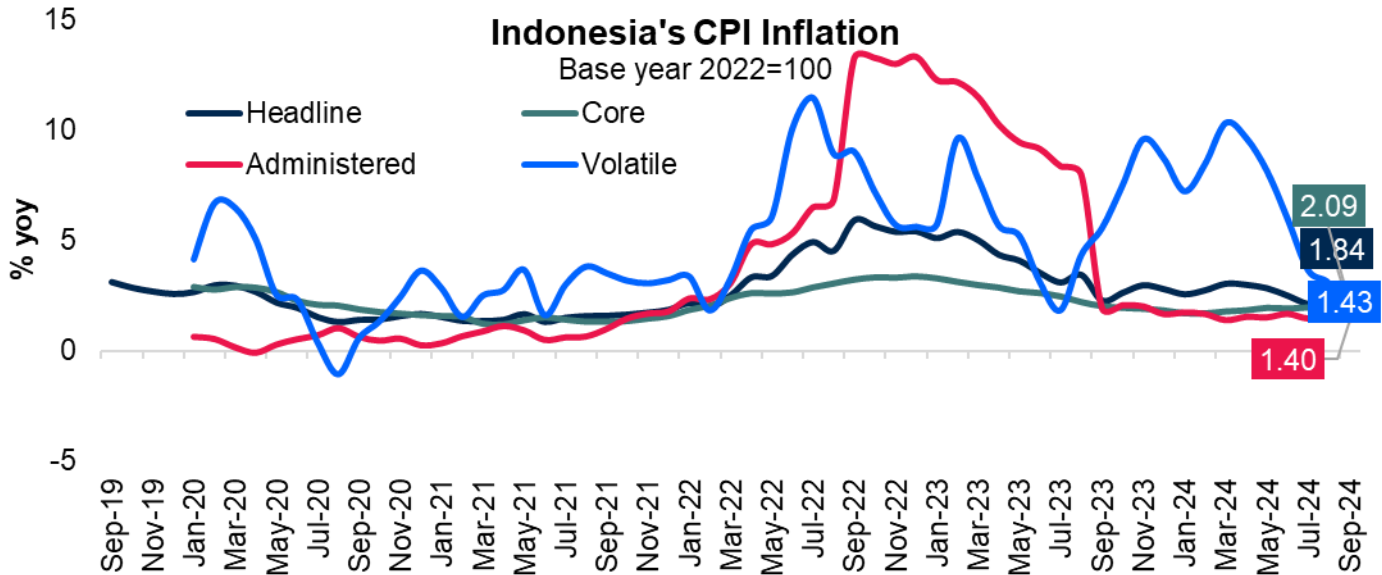
OUR PIERspective: We continue to expect inflation to approach around 2% by the end of 2024.

- We anticipate inflation will remain within Bank Indonesia's target range of 1.5–3.5% for this year. Throughout the remainder of 2024, inflationary pressures are likely to stay subdued, as the government has opted to postpone the implementation of excise duties on plastic and sweetened packaged beverages to support purchasing power and economic growth.
- Downside risks may increase due to reduced imported inflation risks, as the Rupiah is expected to continue appreciating. This appreciation is backed by the potential for Fed rate cuts, which could boost risk-on sentiment and attract capital inflows. Furthermore, inflationary pressures from global energy prices, largely driven by uncertainties in Middle Eastern geopolitics, may be offset by the risk of flagging global demand.
- Upside risks could emerge toward the end of the year, yet more driven by seasonal demand increases during the Christmas and New Year celebrations.
- *We project the inflation rate for 2024 to be around 2.33% (vs. to 2.81% in 2023).* This lower inflation outlook may provide room for Bank Indonesia to lower the BI-rate in response to potential Fed rate cuts.

PIER Snapshot: Sep-24 CPI

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Indonesia's Headline Inflation and Its Components



Source: Statistics Indonesia & Permata Institute for Economic Research

Deflation in FBT components continued due to harvest season

Changes in Consumer Price Index 2022 Base Year (percent)

	M-on-M changes			Y-on-Y changes		
	Jul-24	Aug-24	Sep-24	Jul-24	Aug-24	Sep-24
Food, Drink, and Tobacco	-0.97	-0.52	-0.59	3.66	3.39	2.57
Clothing and Footwear	0.11	0.09	0.05	0.99	1.19	1.18
Housing, Water, Electricity, and Other Fuels	0.05	0.03	0.04	0.50	0.57	0.60
Equipment, Tools, and Household Maintenance	0.12	0.04	0.12	1.05	1.05	1.08
Health	0.08	0.07	0.04	1.77	1.72	1.69
Transportation	0.03	0.22	-0.16	1.22	1.42	0.92
Information, Communication, and Financial Services	0.00	-0.02	-0.01	-0.16	-0.16	-0.28
Recreation, Sport, and Culture	0.29	0.04	0.05	1.49	1.52	1.55
Education	0.69	0.65	0.29	1.90	1.83	1.94
Food Service and Restaurant	0.16	0.11	0.13	2.28	2.24	2.25
Personal Care and Other Services	0.35	0.50	0.38	5.59	6.04	6.25
Headline	-0.18	-0.03	-0.12	2.13	2.12	1.84

Source: Statistics Indonesia & Permata Institute for Economic Research

PIER Snapshot: Sep-24 CPI

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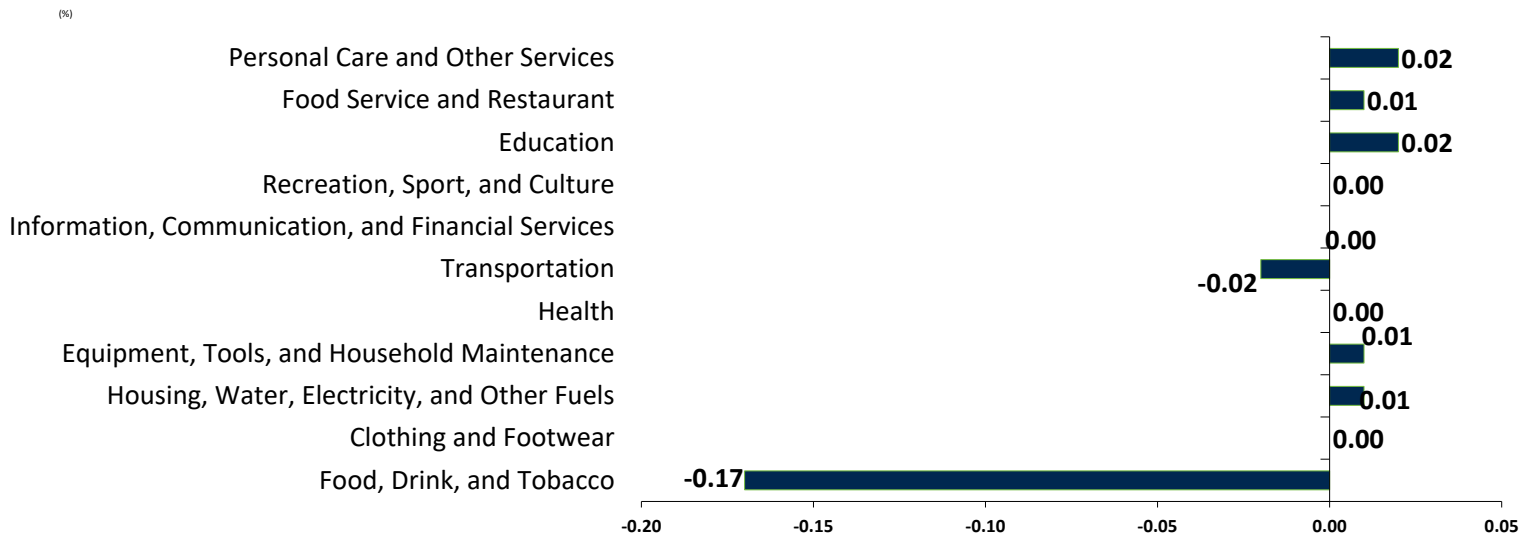
Adjustment price for non-subsidized fuel pushed deflation of AP components

Changes in Consumer Price Index 2022 Base Year (percent)

	M-on-M changes			Y-on-Y changes		
	Jul-24	Aug-24	Sep-24	Jul-24	Aug-24	Sep-24
Core	0.18	0.20	0.16	1.95	2.02	2.09
Administered	0.11	0.23	-0.04	1.47	1.68	1.40
Volatile	-1.92	-1.24	-1.34	3.63	3.04	1.43
Headline	-0.18	-0.03	-0.12	2.13	2.12	1.84

Source: Statistics Indonesia & Permata Institute for Economic Research

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



Source: Statistics Indonesia & Permata Institute for Economic Research

PIER Snapshot: Sep-24 CPI

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PIER's Economic & Market Forecast

	2019	2020	2021	2022	2023	1Q24	2Q24	3Q24F	4Q24F	2024F	2025F	2026F
National Account												
Real GDP (% yoy)	5.02	-2.07	3.70	5.31	5.05	5.11	5.05	5.02	5.00	5.04	5.15	5.26
Real Consumption: Private (% yoy)	5.04	-2.63	2.02	4.93	4.82	4.91	4.93	4.88	5.00	4.93	5.04	5.12
Real Consumption: Government (% yoy)	3.27	2.12	4.24	-4.51	2.95	19.90	1.42	4.81	5.05	6.71	5.37	6.08
Real Gross Fixed Capital Formation (% yoy)	4.45	-4.96	3.80	3.87	4.40	3.79	4.43	3.79	4.89	4.23	5.83	6.62
Real Export (% yoy)	-0.48	-8.42	17.95	16.28	1.32	1.37	8.28	1.27	4.95	3.92	9.61	10.40
Real Import (% yoy)	-7.13	-17.60	24.87	14.75	-1.65	1.94	8.57	2.88	6.36	4.92	11.80	12.62
Nominal GDP (IDR tn) - nominal	15,832.66	15,443.35	16,976.75	19,588.09	20,892.38	5,288.49	5,536.50	5,680.74	5,691.22	22,196.94	23,974.30	25,920.69
Nominal GDP (USD bn) - nominal	1,119.10	1,059.93	1,186.29	1,318.68	1,371.47	337.72	342.37	362.78	374.99	1,417.85	1,632.19	1,802.81
Inflation & Unemployment												
Headline Inflation Rate (2022=100, % yoy, avg)	2.82	2.04	1.56	4.14	3.73	2.79	2.78	2.03	2.28	2.51	2.81	2.85
Headline Inflation Rate (2022=100, % yoy, eop)	2.59	1.68	1.87	5.41	2.81	3.05	2.51	1.84	2.33	2.33	3.12	2.91
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	-0.34	-1.26	-2.63	-2.63	-2.67	-2.85
IDR 10-year Bond Yield (%)	7.06	5.89	6.38	6.94	6.48	6.73	7.07	6.45	6.33	6.33	6.20	6.12
External Sector												
Trade Balance (USD bn)	-3.59	21.62	35.42	54.46	36.91	7.41	8.03	6.67	6.35	28.47	23.44	17.24
Goods Balance (USD bn)	3.51	28.30	43.81	62.67	46.19	9.28	9.96	8.67	8.35	36.26	31.44	25.24
Current Account (USD bn)	-30.28	-4.43	3.51	13.22	-2.14	-2.41	-3.02	-2.78	-2.76	-10.96	-18.67	-26.63
Current Account (% of GDP)	-2.71	-0.42	0.30	1.00	-0.16	-0.71	-0.88	-0.77	-0.74	-0.77	-1.14	-1.48
Foreign Reserves (USD bn)	129.18	135.90	144.91	137.23	146.38	140.39	140.18	150.90	154.89	154.89	158.77	160.58
USD/IDR (avg)	14,141	14,529	14,297	14,874	15,248	15,783	16,295	15,618	15,177	15,729	14,695	14,380
USD/IDR (eop)	13,866	14,050	14,253	15,568	15,397	15,855	16,375	15,140	15,018	15,018	14,504	14,343
Commodity Price												
Coal Price (USD/MT)	66.2	83.0	169.7	379.2	141.8	131.5	135.1	145.8	108.8	108.8	108.2	120.7
CPO Price (USD/MT)	763.7	1,016.4	1,270.3	940.4	797.8	942.9	873.7	932.6	846.3	846.3	850.1	892.2
Oil Price (USD/BBL)	65.85	49.87	74.31	80.90	77.9	85.5	82.6	80.9	74.9	74.9	74.4	82.9
Interest Rate												
Fed Funds Rate (%)	1.75	0.25	0.25	4.50	5.50	5.50	5.50	5.00	4.50	4.50	3.50	3.00
BI Rate (%)	5.00	3.75	3.50	5.50	6.00	6.00	6.25	6.00	5.50	5.50	4.75	4.50
Average Lending Rate (%)	10.52	9.67	9.16	9.16	9.27	9.27	9.27	9.30	9.28	9.28	8.76	8.21
Banking Sector												
Loan (% yoy)	6.08	-2.40	5.24	11.35	10.38	12.40	12.36	11.40	10.79	10.79	11.34	11.78
TPF (% yoy)	6.54	11.11	12.21	9.01	3.73	7.44	8.45	7.70	8.00	8.00	9.39	9.22
LDR (%)	94.8	83.2	77.8	79.7	83.8	84.2	85.8	85.9	84.0	86.0	85.5	87.5

Note:

: quarterly realization

Source: Permata Institute for Economic Research (PIER)

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