

# PIER Snapshot: Aug-24 CPI

## 02 September 2024

# Aug-24 CPI: A Fourth Consecutive Month of Deflation, Food Prices Kept Falling

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## CPI Review

- Indonesia's headline CPI for Aug-24 reported a monthly deflation of -0.02%mom, marking the fourth consecutive month of deflation and recording a longer deflationary trend than during the pandemic period. This ongoing deflation was predominantly influenced by decreasing food prices within the Volatile Price (VP) Index basket. In contrast, Administered Prices (AP) and core inflation exhibited modest inflationary pressures, which moderated the overall monthly deflation. The annual headline CPI inflation rate stood at 2.12%yoy in Aug-24, relatively stable compared to the 2.13%yoy in Jul-24. The CPI data realization was close to our forecast, which anticipated a deflation of -0.03%mom, equivalent to 2.13%yoy inflation. Consequently, the year-to-date inflation for Jan – Aug-24 registered at 0.87%ytd, significantly lower than the 1.53%ytd recorded during the same period in the previous year.
- The VP Index experienced a deflation of -1.24%mom, contributing -0.20ppt to the overall CPI change. This persistent decline was largely driven by decreased prices of specific food commodities, including shallots (-0.08ppt), chicken meat (-0.03ppt), and tomatoes (-0.03ppt). According to Statistics Indonesia, the food deflation was mainly attributed to an abundant supply of certain food commodities during the harvest season. Annually, the VP Index decreased from 3.63%yoy to 3.04%yoy in Aug-24.
- Due to price increase for non-subsidized fuels (Pertamax) by Pertamina, transportation inflation rose by 0.22%mom, contributing 0.03ppt to the CPI change. This led to a 0.23%mom increase in the Administered Price Index, contributing 0.04ppt to the CPI change. Annual Administered Price inflation increased to 1.68%yoy, up from 1.47%yoy in Jul-24.
- Core CPI inflation saw a slight increase from 0.18%mom in Jul-24 to 0.20%mom in Aug-24, driven by rising prices in education and gold jewelry. Education inflation rose by 0.65%mom, contributing 0.04ppt to the CPI change, while personal care inflation increased by 0.50%mom, contributing 0.03ppt to the CPI change. On an annual basis, Core CPI inflation increased notably from 1.95%yoy to 2.02%yoy in Aug-24, due to more of seasonal factor, particularly rising education fees associated with the new academic year.

## Economic and Market Implication

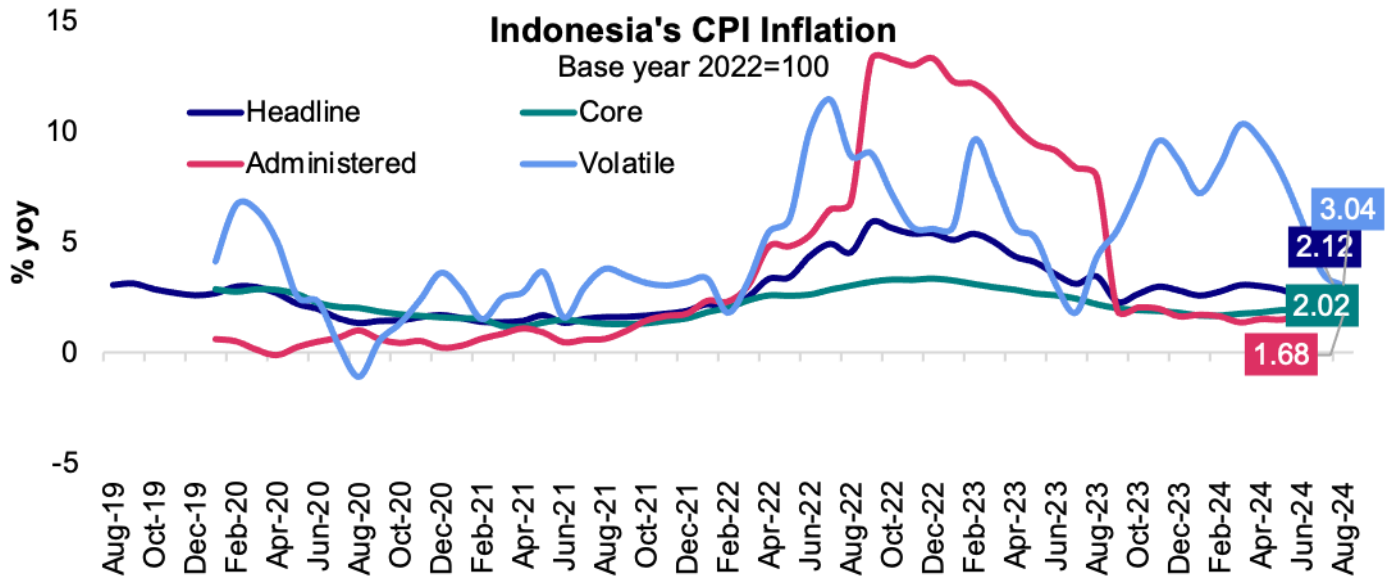
**OUR PIERpective: We still anticipate that inflation could remain below 3% by the end of 2024.**

- We expect inflation to stay within the target range of 1.5 – 3.5% for this year. In 2H24, inflationary pressures are likely to remain subdued, especially if the government opts to delay implementing excise duties on plastic and sweetened packaged beverages to bolster purchasing power and economic growth.
- Conversely, downside risks may increase due to a reduced risk of imported inflation, as the Rupiah is expected to continue appreciating. This appreciation is supported by potential Fed's policy rate cuts, which could enhance risk-on sentiment and attract capital inflows. Additionally, inflationary pressures from global energy prices, mostly influenced by uncertainties in the Middle Eastern geopolitics, may be mitigated by the risk of declining global demand.
- We now project the inflation rate for 2024 to be around 2.33% (vs. 2.81% in 2023). This lower inflation outlook could enable Bank Indonesia (BI) to reduce the BI-rate in response to Fed's policy rate cuts. We expect BI to cut BI-rate by 50bps to 5.75% in 4Q24.

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## 02 September 2024

### Indonesia's Headline Inflation and Its Components



Source: Statistics Indonesia & Permata Institute for Economic Research

### FBT Components Continued to Post Deflation due to Abundant Supply

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

	M-on-M changes			Y-on-Y changes		
	Jun-24	Jul-24	Aug-24	Jun-24	Jul-24	Aug-24
Food, Drink, and Tobacco	-0.49	-0.97	-0.52	4.95	3.66	3.39
Clothing and Footwear	0.02	0.11	0.09	1.09	0.99	1.19
Housing, Water, Electricity, and Other Fuels	0.04	0.05	0.03	0.47	0.50	0.57
Equipment, Tools, and Household Maintenance	0.21	0.12	0.04	0.95	1.05	1.05
Health	0.05	0.08	0.07	1.89	1.77	1.72
Transportation	0.11	0.03	0.22	1.61	1.22	1.42
Information, Communication, and Financial Services	-0.02	0.00	-0.02	-0.18	-0.16	-0.16
Recreation, Sport, and Culture	0.09	0.29	0.04	1.50	1.49	1.52
Education	0.01	0.69	0.65	1.69	1.90	1.83
Food Service and Restaurant	0.09	0.16	0.11	2.31	2.28	2.24
Personal Care and Other Services	0.27	0.35	0.50	5.24	5.59	6.04
<b>Headline</b>	<b>-0.08</b>	<b>-0.18</b>	<b>-0.03</b>	<b>2.51</b>	<b>2.13</b>	<b>2.12</b>

Source: Statistics Indonesia & Permata Institute for Economic Research

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## 02 September 2024

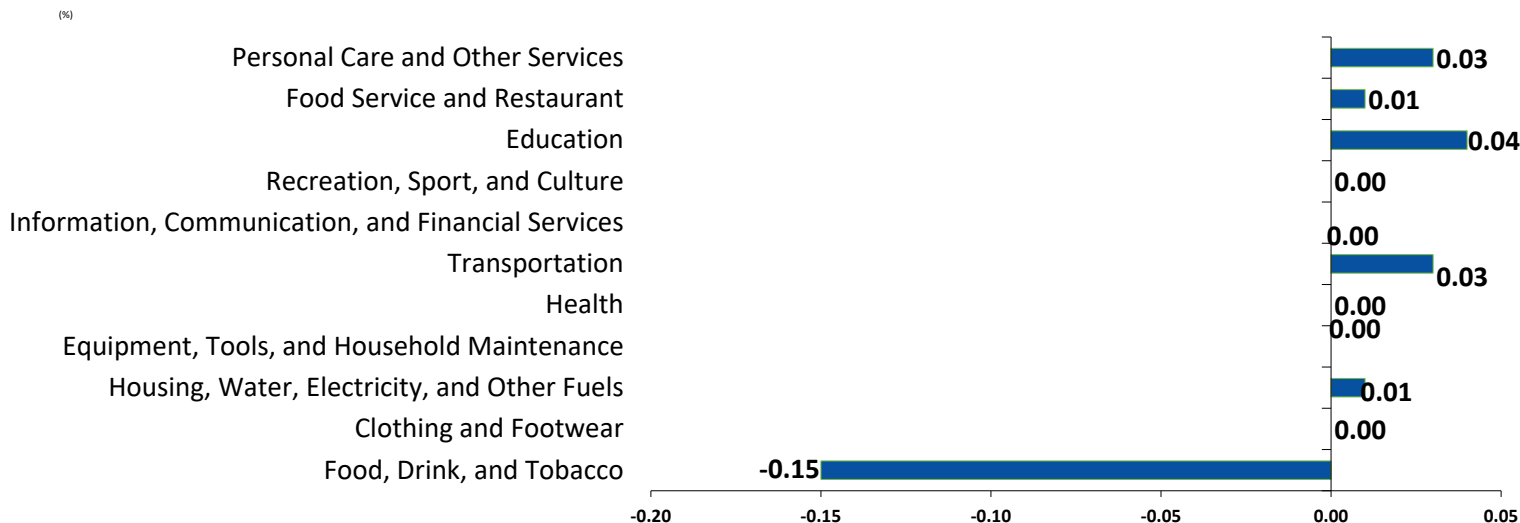
### Pertamax Price Increase Drove Higher AP Index

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

	M-on-M changes			Y-on-Y changes		
	Jun-24	Jul-24	Aug-24	Jun-24	Jul-24	Aug-24
Core	0.10	0.18	0.20	1.90	1.95	2.02
Administered	0.12	0.11	0.23	1.68	1.47	1.68
Volatile	-0.98	-1.92	-1.24	5.96	3.63	3.04
<b>Headline</b>	<b>-0.08</b>	<b>-0.18</b>	<b>-0.03</b>	<b>2.51</b>	<b>2.13</b>	<b>2.12</b>

Source: Statistics Indonesia & Permata Institute for Economic Research

### Contributors to monthly CPI change in Aug-24 (ppt)



Source: Statistics Indonesia & Permata Institute for Economic Research

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## 02 September 2024

### PIER's Economic & Market Forecast

	2019	2020	2021	2022	2023	1Q24	2Q24	3Q24F	4Q24F	2024F	2025F	2026F
<b>National Account</b>												
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	5.12	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	23,974.55	25,920.27
Nominal GDP (USD bn) - nominal	1,119.10	1,059.93	1,186.29	1,318.68	1,371.47	337.72	342.37	350.45	356.58	1,387.11	1,547.89	1,733.00
<b>Inflation &amp; Unemployment</b>												
Headline Inflation Rate (2022=100, % yoy, avg)	2.82	2.04	1.56	4.14	3.73	2.79	2.78	2.21	2.28	2.52	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	2.27	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
<b>Fiscal Condition</b>												
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	-2.86
IDR 10-year Bond Yield (%)	7.06	5.89	6.38	6.94	6.48	6.73	7.07	6.87	6.59	6.59	6.29	6.25
<b>External Sector</b>												
Trade Balance (USD bn)	-3.59	21.62	35.42	54.46	36.91	7.41	8.03	6.64	6.32	28.41	23.31	17.11
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	-0.79	-0.77	-0.79	-1.21	-1.54
Foreign Reserves (USD bn)	129.18	135.90	144.91	137.23	146.38	140.39	140.18	145.12	150.45	150.45	155.10	158.95
USD/IDR (avg)	14,141	14,529	14,297	14,874	15,248	15,783	16,295	16,210	15,961	16,062	15,497	14,963
USD/IDR (eop)	13,866	14,050	14,253	15,568	15,397	15,855	16,375	16,152	15,863	15,863	15,231	14,773
<b>Commodity Price</b>												
Coal Price (USD/MT)	66.2	83.0	169.7	379.2	141.8	131.5	135.1	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	873.7	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	82.6	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	3.00
BI Rate (%)	5.00	3.75	3.50	5.50	6.00	6.00	6.25	6.25	5.75	5.75	5.00	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
<b>Banking Sector</b>												
Loan (% yoy)	6.08	-2.40	5.24	11.35	10.38	12.40	12.36	10.69	10.79	10.79	11.34	11.78
TPF (% yoy)	6.54	11.11	12.21	9.01	3.73	7.44	8.45	8.15	10.57	10.57	9.39	9.22
LDR (%)	94.8	83.2	77.8	79.7	83.8	84.2	85.8	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	215,068	192,836	239,628	250,823	898,463	964,587	1,030,208
Car Sales (% yoy)	-10.5	-48.4	66.8	18.1	-4.0	-23.9	-13.9	-3.9	0.3	-10.7	7.4	6.8
Motorcycles Sales (Unit)	6,487,460	3,660,616	5,057,516	5,221,470	6,236,992	1,735,090	1,435,904	1,604,918	1,502,065	6,277,976	6,238,984	6,153,840
Motorcycles Sales (% yoy)	1.6	-43.6	38.2	3.2	19.4	-4.9	4.2	5.6	-0.9	0.7	-0.6	-1.4

Note:

: quarterly realization

Source: Permata Institute for Economic Research (PIER)

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