

# PIER Snapshot: Jan-25 CPI

03 February 2025

## Jan-25 CPI: The Electricity Discount Significantly Contributed to Early-Year Deflation

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### CPI Review

- In Jan-25, the monthly headline Consumer Price Index (CPI) unexpectedly registered a deflation of 0.76% month-on-month (mom), reversing from an inflation rate of 0.44%mom in Dec-24. Historically, deflation in January is uncommon, as seasonal trends typically see the Volatile Price (VP) Index dominantly exerting upward pressure. The primary driver of deflation in Jan-25 was the Administered Price (AP) component, particularly due to the implementation of a household electricity tariff discount policy. Meanwhile, in line with seasonal patterns, the VP Index saw significant inflation in Jan-25, surpassing the monthly inflation recorded in Dec-24. Core inflation also accelerated, driven by rising domestic gold prices and increased demand during the extended holiday period at the end of the month. On an annual basis, inflation decelerated markedly to 0.76% year-on-year (yoy) from 1.57%yoy.
- The monthly VP Index surged from 2.04mom to 2.95%mom, primarily driven by rising prices of various food commodities, particularly chili-related commodities. Red chili and bird's eye chili were the most significant contributors, adding 0.19 percentage points (ppt) and 0.17ppt, respectively, to the headline CPI in Jan-25. The sharp increase in chili prices was largely attributed to heightened rainfall throughout the month, which disrupted supply. Other key contributors to the acceleration in the VP Index included fish and chicken meat, which added 0.03ppt and 0.02ppt, respectively, to headline inflation. On an annual basis, the VP Index surged markedly to 3.07%yoy, a sharp increase from 0.12%yoy.
- The monthly AP Index recorded a sharp deflation of 7.38%mom following the government's implementation of an electricity tariff discount starting 1-Jan-25. Initially, in Dec-24, the government announced the tariff discount for Jan – Feb-25 as a compensatory measure for the planned Value-Added Tax (VAT) hike. However, despite the subsequent cancellation of the VAT increase for most goods and services, the government proceeded with a 50% electricity tariff discount for households with a capacity 2,200 VA and below. As a result, electricity tariffs saw a substantial deflation of 32.03%mom, contributing 1.44ppt to overall deflation and effectively counterbalancing the inflationary impact of the VP Index. Additionally, air transportation fares and railway tariffs contributed 0.01ppt each to headline deflation. On an annual basis, the AP Index recorded a significant deflation of 6.41%yoy.
- Monthly core inflation accelerated to 0.30%mom, up from 0.17%mom, primarily driven by a surge in domestic gold prices. This increase was attributed to the depreciation of the Rupiah and a strengthening global gold market. Gold jewelry alone contributed 0.02ppt to headline inflation. Additionally, cooking oil prices rose in Jan-25, further adding 0.02ppt to headline inflation.

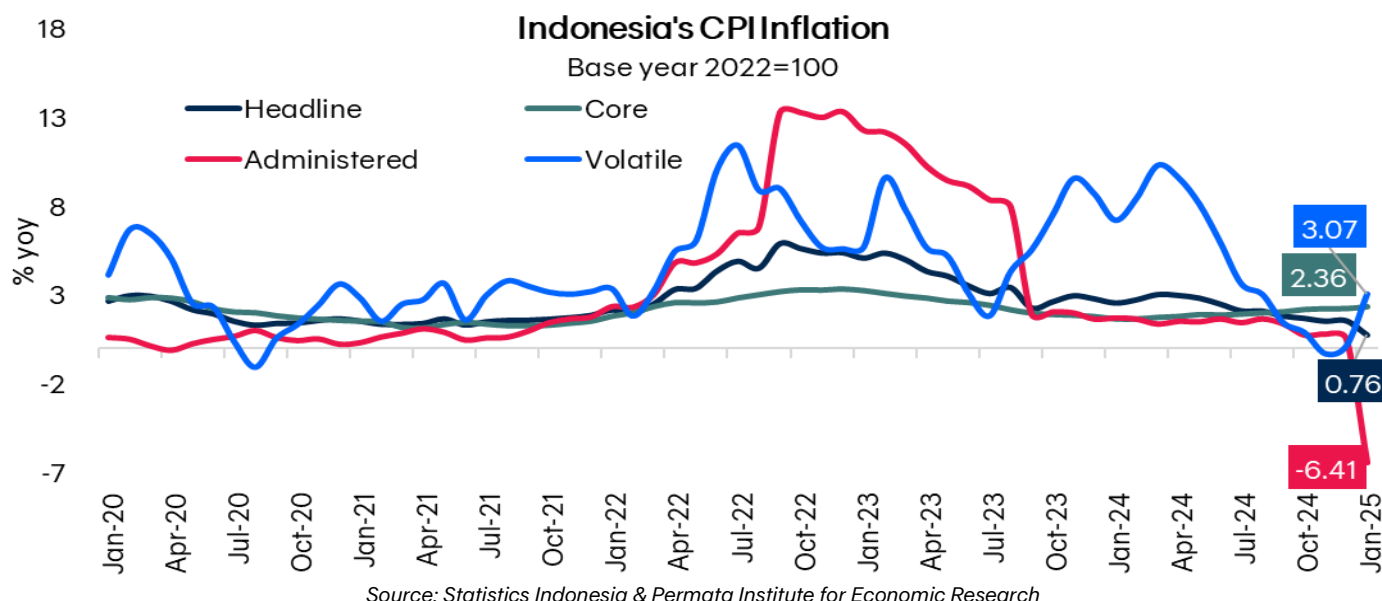
### OUR PIERpective: Inflation is projected to remain around 2% by the end of 2025, as the impact of the electricity tariff discount is expected to normalize in Mar-25

- Since the government has limited the electricity tariff discount to a two-month period, we anticipate that inflation will remain within Bank Indonesia's target range of 1.5 – 3.5% by year-end, unless the policy is extended to the whole year. Additionally, inflation in 2025 is expected to be influenced by the low base effect from the previous year.
- Beyond policy-driven factors, we foresee inflationary pressures arising from the continued recovery in consumer demand, which could contribute to moderate demand-pull inflation. Imported inflation resulting from the depreciation of the Rupiah exchange rate also plays a contributory role in overall inflation to a certain degree.
- All in all, we project the inflation rate to reach approximately 2.33% by the end of 2025, up from 1.57% at the end of 2024.

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## Indonesia's Headline Inflation and Its Components



## Electricity Components Recorded Deflation after Electricity Tariff Discount Started in Jan-25

Changes in Consumer Price Index 2022 Base Year (percent)

	M-on-M changes			Y-on-Y changes		
	Nov-24	Dec-24	Jan-25	Nov-24	Dec-24	Jan-25
Food, Drink, and Tobacco	0.78	1.33	1.94	1.68	1.90	3.69
Clothing and Footwear	0.01	0.11	0.10	1.20	1.16	1.24
Housing, Water, Electricity, and Other Fuels	0.04	0.01	-9.16	0.59	0.59	-8.75
Equipment, Tools, and Household Maintenance	0.03	0.03	0.13	1.08	1.04	1.14
Health	0.14	0.35	0.40	1.65	1.93	1.84
Transportation	0.10	0.04	0.18	0.03	-0.30	0.76
Information, Communication, and Financial Services	-0.02	0.00	-0.08	-0.28	-0.27	-0.30
Recreation, Sport, and Culture	0.05	0.09	0.20	1.49	1.17	1.11
Education	0.00	0.05	0.13	1.89	1.94	2.05
Food Service and Restaurant	0.17	0.17	0.30	2.40	2.48	2.47
Personal Care and Other Services	0.65	0.26	0.60	7.26	7.02	7.27
<b>Headline</b>	<b>0.30</b>	<b>0.44</b>	<b>-0.76</b>	<b>1.55</b>	<b>1.57</b>	<b>0.76</b>

Source: Statistics Indonesia & Permata Institute for Economic Research

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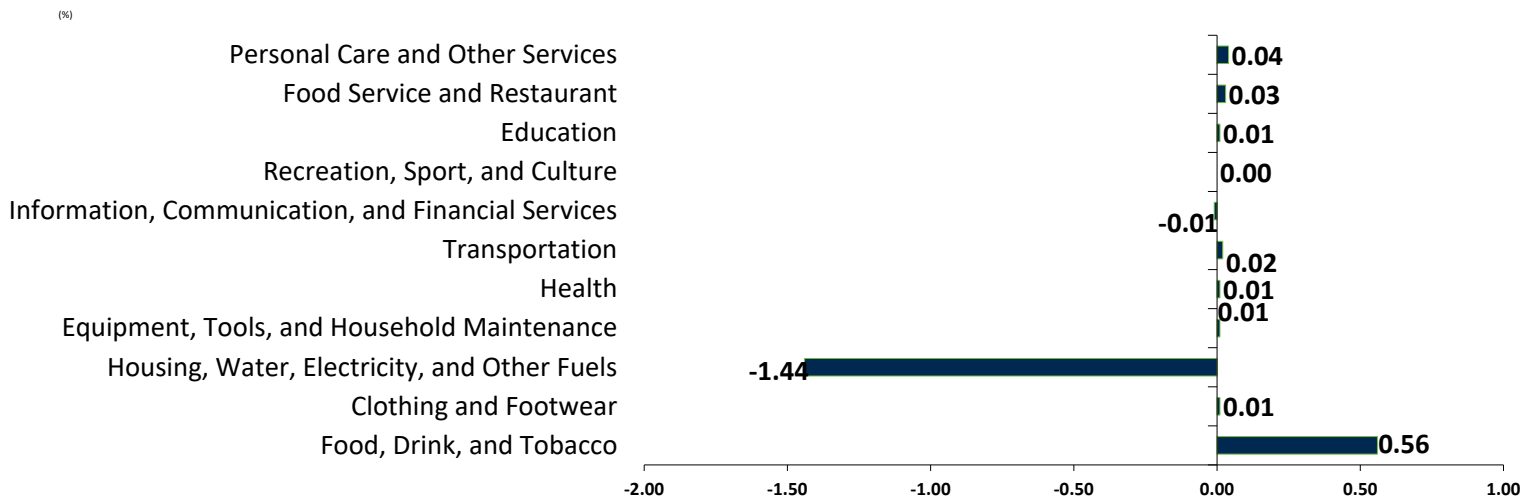
AP Index recorded notable deflation, offsetting higher core and VP Index inflation

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

	M-on-M changes			Y-on-Y changes		
	Nov-24	Dec-24	Jan-25	Nov-24	Dec-24	Jan-25
Core	0.17	0.17	0.30	2.26	2.26	2.36
Administered	0.12	0.03	-7.38	0.82	0.56	-6.41
Volatile	1.07	2.04	2.95	-0.32	0.12	3.07
<b>Headline</b>	<b>0.30</b>	<b>0.44</b>	<b>-0.76</b>	<b>1.55</b>	<b>1.57</b>	<b>0.76</b>

Source: Statistics Indonesia & Permata Institute for Economic Research

## Contributors to monthly CPI change in Jan-25 (ppt)



Source: Statistics Indonesia & Permata Institute for Economic Research

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### PIER's Economic & Market Forecast (as of 03-Feb-25)

	2019	2020	2021	2022	2023	1Q24	2Q24	3Q24	4Q24F	2024F	1Q25F	2Q25F	3Q25F	4Q25F	2025F
<b>National Account</b>															
Real GDP (% yoy)	5.02	-2.07	3.70	5.31	5.05	5.11	5.05	4.95	5.00	5.02	5.12	5.10	5.11	5.10	5.11
Real Consumption: Private (% yoy)	5.04	-2.63	2.02	4.93	4.82	4.91	4.93	4.91	4.92	4.92	5.02	5.00	5.02	5.00	5.01
Real Consumption: Government (% yoy)	3.27	2.12	4.24	-4.51	2.95	19.91	1.42	4.62	4.67	6.54	3.97	5.25	5.78	6.02	5.37
Real Gross Fixed Capital Formation (% yoy)	4.45	-4.96	3.80	3.87	4.40	3.79	4.43	5.15	4.58	4.50	4.85	5.03	5.18	5.34	5.11
Real Export (% yoy)	-0.48	-8.42	17.95	16.28	1.32	1.44	8.18	9.09	9.95	7.21	6.44	-4.99	-10.86	-6.86	-4.32
Real Import (% yoy)	-7.13	-17.60	24.87	14.75	-1.65	1.46	7.79	11.47	11.36	8.09	8.47	-2.99	-8.97	-6.88	-2.93
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	5,638.89	5,652.83	22,116.71	5,653.94	5,924.77	6,051.16	6,071.39	23,701.25
Nominal GDP (USD bn) - nominal	1,119.10	1,059.93	1,186.29	1,318.68	1,371.47	337.72	342.37	356.92	355.94	1,392.95	347.39	357.28	361.61	364.68	1,430.96
<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	2.03	1.61	2.30	1.79	1.91	2.20	2.31	2.05
Headline Inflation Rate (2022=100, % yoy, eop)	2.59	1.68	1.87	5.41	2.81	3.05	2.51	1.84	1.57	1.57	2.13	1.99	2.26	2.33	2.33
Unemployment Rate (%)	5.18	7.07	6.49	5.86	5.32	4.82	4.82	4.91	4.91	4.91	5.03	5.03	5.03	5.03	5.03
<b>Fiscal Condition</b>															
Fiscal Balance (% of GDP)	-2.20	-6.14	-4.57	-2.35	-1.65	0.04	-0.34	-1.08	-2.29	-2.29	-0.39	-0.74	-1.56	-2.64	-2.64
IDR 10-year Bond Yield (%)	7.06	5.89	6.38	6.94	6.48	6.69	7.07	6.45	7.00	7.00	7.22	7.35	7.37	7.26	7.26
<b>External Sector</b>															
Trade Balance (USD bn)	-3.59	21.62	35.42	54.46	36.90	7.41	8.04	6.51	9.09	31.04	6.44	6.32	5.92	6.40	25.08
Goods Balance (USD bn)	3.51	28.30	43.81	62.67	46.27	9.29	10.03	9.29	9.35	37.97	8.47	8.35	7.95	8.43	33.21
Current Account (USD bn)	-30.28	-4.43	3.51	13.22	-2.15	-2.48	-3.25	-2.15	-1.76	-9.64	-3.15	-5.05	-4.56	-4.13	-16.90
Current Account (% of GDP)	-2.71	-0.42	0.30	1.00	-0.16	-0.73	-0.95	-0.60	-0.49	-0.69	-0.91	-1.41	-1.26	-1.13	-1.18
Foreign Reserves (USD bn)	129.18	135.90	144.91	137.23	146.38	140.39	140.18	149.92	155.72	155.72	154.10	151.69	152.79	154.11	154.11
USD/IDR (avg)	14,141	14,529	14,297	14,874	15,248	15,783	16,295	15,618	15,881	15,895	16,275	16,583	16,734	16,649	16,587
USD/IDR (eop)	13,866	14,050	14,253	15,568	15,397	15,855	16,375	15,140	16,102	16,102	16,435	16,727	16,822	16,540	16,540
<b>Commodity Price</b>															
Coal Price (USD/MT)	66.2	83.0	169.7	379.2	141.8	131.5	135.1	145.8	129.8	129.8	112.1	107.2	105.3	101.0	101.0
CPO Price (USD/MT)	763.7	1,016.4	1,270.3	940.4	797.8	942.9	873.7	932.6	1,189.7	1,189.7	952.5	923.6	895.2	880.3	880.3
Oil Price (USD/BBL)	65.85	49.87	74.31	80.90	77.9	85.5	82.6	80.9	73.8	73.8	78.2	79.8	80.2	74.4	74.4
<b>Interest Rate</b>															
Fed Funds Rate (%)	1.75	0.25	0.25	4.50	5.50	5.50	5.50	5.00	4.50	4.50	4.50	4.25	4.25	4.00	4.00
BI-Rate (%)	5.00	3.75	3.50	5.50	6.00	6.00	6.25	6.00	6.00	6.00	5.75	5.75	5.75	5.75	5.75
Average Lending Rate (%)	10.52	9.67	9.16	9.16	9.27	9.27	9.27	9.25	9.24	9.24	9.16	9.18	9.20	9.22	9.22
<b>Banking Sector</b>															
Loan (% yoy)	6.08	-2.40	5.24	11.35	10.38	12.40	12.36	10.85	10.39	10.39	9.98	10.30	10.69	10.78	10.78
TPF (% yoy)	6.54	11.11	12.21	9.01	3.73	7.44	8.45	7.04	4.48	4.48	2.93	4.50	6.60	10.25	10.25
LDR (%)	94.75	83.23	77.82	79.69	83.80	84.23	85.75	86.90	88.57	88.57	90.00	90.50	90.25	89.00	89.00
<b>Real Sector</b>															
Car Sales (Unit)	1,030,126	532,027	887,202	1,048,040	1,005,802	215,250	194,768	223,197	232,508	865,723	178,851	226,285	225,816	231,587	862,539
Car Sales (% yoy)	-10.5	-48.4	66.8	18.1	-4.0	-23.8	-13.0	-10.5	-7.0	-13.9	-16.9	16.2	1.2	-0.4	-0.4
Motorcycles Sales (Unit)	6,487,460	3,660,616	5,057,516	5,221,470	6,236,992	1,735,090	1,435,904	1,701,502	1,460,814	6,333,310	1,480,153	1,610,707	1,621,798	1,501,844	6,214,502
Motorcycles Sales (% yoy)	1.6	-43.6	38.2	3.2	19.4	-4.9	4.2	12.0	-3.6	1.5	-14.7	12.2	-4.7	2.8	-1.9

**Note:**

: quarterly realization

Source: Permata Institute for Economic Research (PIER)

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