

Apr-24 CPI: The 'Lebaran' Inflation Trend was Tempered by the Harvest Season

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CPI Review

- The Consumer Price Index (CPI) inflation rate unexpectedly moderated in Mar-24, declining to 0.25%mom from 0.52%mom. Annually, Indonesia's CPI decelerated to 3.00%yoy from 3.05%yoy. The primary factor contributing to lower inflation in Apr-24 was the Volatile Price (VP) components, largely due to the harvest season. The Apr-24 harvest season bolstered food supply, counteracting the seasonal demand surge during Lebaran. Conversely, Lebaran's seasonal impact continued to drive higher Administered Prices (AP) inflation, particularly in air transportation and intercity transportation service fees. AP inflation remained a significant contributor to headline inflation in Apr-24. Year-to-date (ytd) inflation for Jan – Apr-24 stood at 1.19%ytd, slightly exceeding the same period in the previous year, which recorded 1.01%ytd.
- During Lebaran, Volatile Price (VP) unexpectedly experienced deflation of 0.31%mom, marking the first occurrence since the COVID-19 pandemic in 2020. However, unlike in 2020, the deflation in Apr-24 was attributed to improved food supply due to the harvest season. Lower prices were observed in red chili, rice, chicken eggs, and bird's eye chili, contributing to the deflation in VP component. Rice prices decreased by 2.72%mom in Apr-24, supported by higher rice production during the Mar – Apr-24 period. Statistics Indonesia reported that rice production during Mar – Apr-24 surpassed the production during the same period last year. Conversely, prices of certain food items remained elevated, such as shallots and garlic, due to floods in some regions of Central Java province, which disrupted production during the harvest season. Annually, VP inflation eased to 9.63%yoy from 10.33%yoy in Mar-24.
- In Apr-24, Administered Prices (AP) inflation increased, driven by heightened demand for air transportation services during the Lebaran season. The Lebaran period typically sees increased demand for various modes of transportation due to the "Mudik" tradition. Air transportation services alone contributed 0.06ppt to overall inflation, followed by intercity transportation at 0.03ppt and railway transportation at 0.01ppt. Monthly AP inflation accelerated to 0.62%mom from 0.08%mom, while on an annual basis, AP inflation rose to 1.54%yoy from 1.39%yoy.
- The upward trend in domestic gold price continued to drive core inflation higher. Core inflation increased to 0.29%mom from 0.23%mom, while on an annual basis, core inflation slightly rose to 1.82%yoy from 1.77%yoy in Mar-24. The higher domestic gold price was mainly attributed to the stronger global gold prices, coupled with Rupiah depreciation in Apr-24. The primary factor behind both the higher gold prices and Rupiah depreciation was increasing global uncertainty, related to 'higher-for-longer' global policy rate and increased geopolitical tensions in the Middle East.

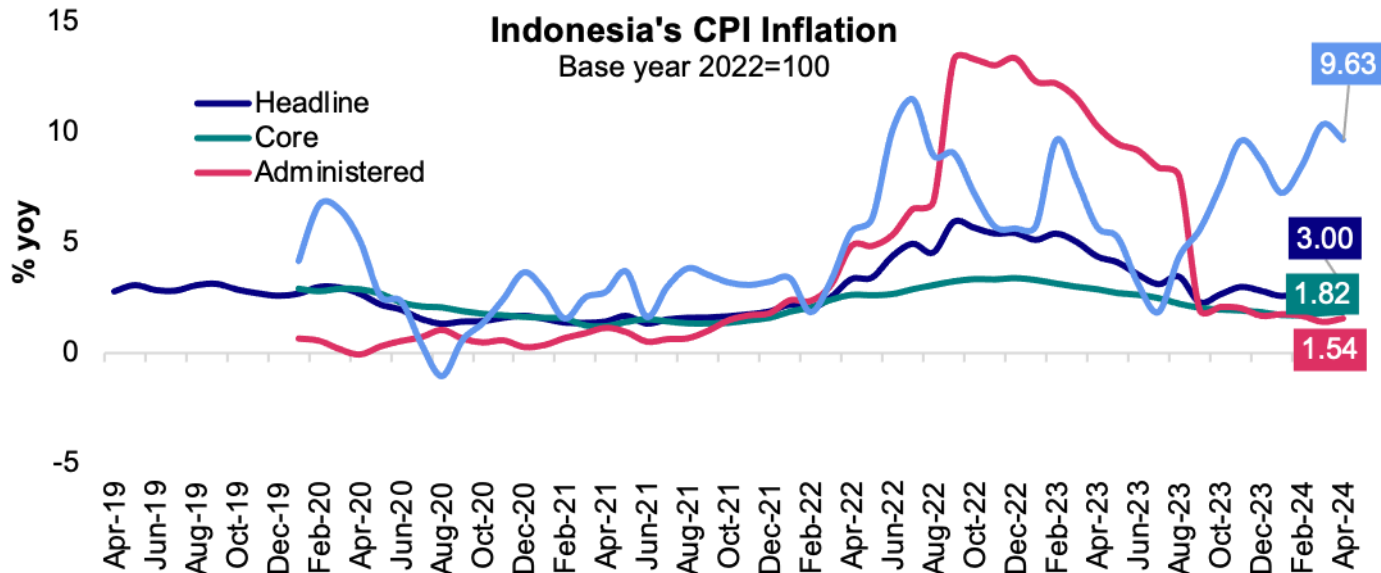
Economic and Market Implication

- **Inflationary pressure is expected to gradually ease in the second half of 2024.**
We expect inflation to stay within the target range of 1.5 – 3.5% for this year, with potential upward pressures in the first half of 2024 stemming from the effects of El Niño and higher imported inflation due to Rupiah depreciation amidst 'higher-for-longer' global policy rate risks and heightened geopolitical tension in the Middle East. In the second half of the year, upward risks could arise from the implementation of excise duties on plastic and sweetened packaged beverages, pending government decisions on these policies. The inflation rate is expected 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 provided room for Bank Indonesia (BI) to maintain the policy rate.**
The relatively stable headline inflation and core inflation within the target range may enable BI to maintain the policy rate, namely BI-rate, for a longer period, despite growing uncertainty in the global financial market. BI's 'higher-for-longer' stance primarily aims to stabilize the Rupiah to mitigate imported inflationary pressures. We now expect BI-rate to stay at 6.25% until the end of the year.

PIER Snapshot: Apr-24 CPI

02 May 2024

Indonesia Headline Inflation and Its Components



Source: Statistics Indonesia & Permata Institute for Economic Research

FBT Components Recorded Monthly Deflation in Apr-24

Changes in Consumer Price Index 2022 Base Year (percent)

	M-on-M changes			Y-on-Y changes		
	Feb-24	Mar-24	Apr-24	Feb-24	Mar-24	Apr-24
Food, Drink, and Tobacco	1.00	1.42	-0.03	6.36	7.43	7.04
Clothing and Footwear	0.07	0.22	0.46	0.90	0.89	0.67
Housing, Water, Electricity, and Other Fuels	0.06	0.02	0.01	0.57	0.55	0.50
Equipment, Tools, and Household Maintenance	0.12	0.08	0.16	1.13	1.03	0.99
Health	0.22	0.21	0.07	1.95	2.17	2.08
Transportation	0.17	0.04	0.93	1.40	0.99	1.33
Information, Communication, and Financial Services	-0.03	-0.02	-0.02	-0.13	-0.13	-0.13
Recreation, Sport, and Culture	0.09	0.01	0.07	1.68	1.62	1.58
Education	0.02	0.15	0.02	1.55	1.70	1.72
Food Service and Restaurant	0.17	0.33	0.31	2.38	2.51	2.47
Personal Care and Other Services	0.21	0.70	1.33	3.09	3.56	4.31
Headline	0.37	0.52	0.25	2.75	3.05	3.00

Source: Statistics Indonesia & Permata Institute for Economic Research

PIER Snapshot: Apr-24 CPI

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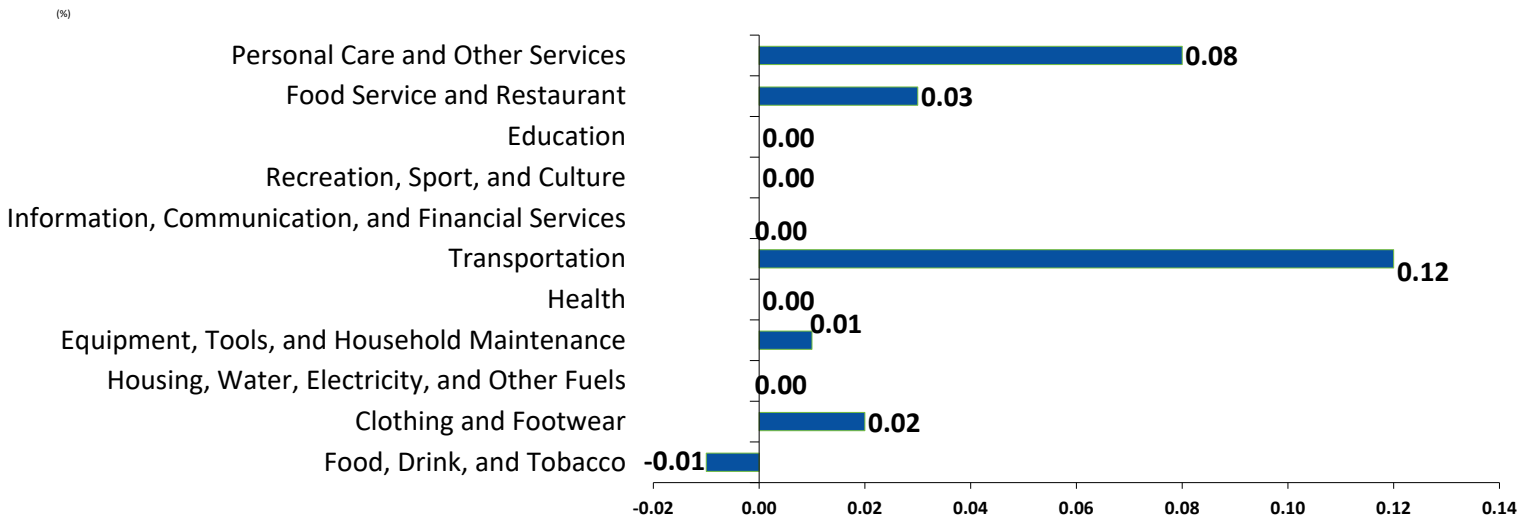
VP Surprisingly Recorded Deflation during the Lebaran Period

Changes in Consumer Price Index 2022 Base Year (percent)

	M-on-M changes			Y-on-Y changes		
	Feb-24	Mar-24	Apr-24	Feb-24	Mar-24	Apr-24
Core	0.14	0.23	0.29	1.68	1.77	1.82
Administered	0.15	0.08	0.62	1.67	1.39	1.54
Volatile	1.53	2.16	-0.31	8.47	10.33	9.63
Headline	0.37	0.52	0.25	2.75	3.05	3.00

Source: Statistics Indonesia & Permata Institute for Economic Research

Contributors to Apr-24 CPI (%)



Source: Statistics Indonesia & Permata Institute for Economic Research

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PIER's Economic & Market Forecast

	2019	2020	2021	2022	2023	1Q24F	2Q24F	3Q24F	4Q24F	2024F	2025F	2026F
National Account												
Real GDP (% yoy)	5.02	-2.07	3.70	5.31	5.05	5.10	5.11	5.05	5.00	5.07	5.15	5.26
Real Consumption: Private (% yoy)	5.04	-2.63	2.02	4.93	4.82	5.18	5.20	5.15	5.05	5.14	5.10	5.12
Real Consumption: Government (% yoy)	3.27	2.12	4.24	-4.51	2.95	5.05	4.79	4.81	5.05	4.93	5.52	6.09
Real Gross Fixed Capital Formation (% yoy)	4.45	-4.96	3.80	3.87	4.40	4.58	4.23	5.13	5.11	4.78	5.83	6.62
Real Export (% yoy)	-0.48	-8.42	17.95	16.28	1.32	-5.23	-2.39	1.27	4.95	-0.29	9.62	10.41
Real Import (% yoy)	-7.13	-17.60	24.87	14.75	-1.65	-4.63	-2.95	2.88	6.36	0.57	11.82	12.65
Nominal GDP (IDR tn) - nominal	15,832.66	15,443.35	16,976.75	19,588.09	20,892.38	5,485.18	5,656.44	5,727.52	5,731.41	22,600.55	24,479.95	26,548.14
Nominal GDP (USD bn) - nominal	1,119.10	1,059.93	1,186.29	1,318.68	1,371.47	355.01	366.11	374.25	378.60	1,473.98	1,641.11	1,807.17
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	5.14	5.14	5.28	5.28	5.28	5.14	4.91
Fiscal Condition												
Fiscal Balance (% of GDP)	-2.20	-6.14	-4.57	-2.35	-1.65	0.25	0.05	-0.75	-2.14	-2.14	-2.00	-2.04
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	46.35	9.57	8.13	7.44	8.54	33.68	31.44	25.24
Current Account (USD bn)	-30.28	-4.43	3.51	13.22	-1.57	-1.35	-3.37	-3.31	-2.36	-10.38	-18.67	-26.63
Current Account (% of GDP)	-2.71	-0.42	0.30	1.00	-0.11	-0.38	-0.92	-0.88	-0.60	-0.70	-1.13	-1.46
Foreign Reserves (USD bn)	129.18	135.90	144.91	137.23	146.38	140.39	131.79	132.41	140.72	140.72	141.07	144.51
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	133.1	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	805.8	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	77.8	77.7	79.0	80.3	80.3	84.1	85.4
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	3.75	3.00
BI Rate (%)	5.00	3.75	3.50	5.50	6.00	6.00	6.25	6.25	6.25	6.25	5.75	5.00
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	313,529	202,128	252,240	279,733	1,047,630	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	2,144,597	1,026,925	1,604,918	1,502,065	6,278,505	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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