

Indonesia CPI Snapshot June'23

Permata Institute Economic Research

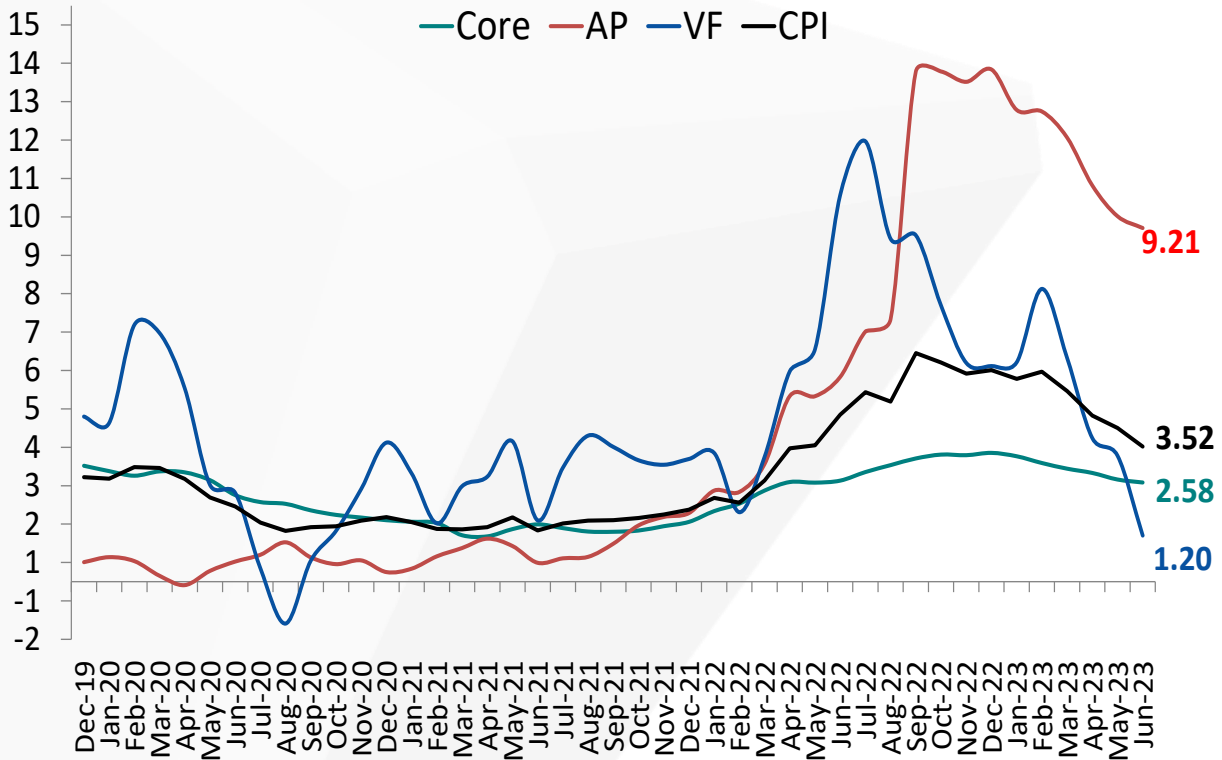
CPI Review

- **Consumer Price Index (CPI) in Jun'23 recorded monthly growth of 0.14%mom compared to 0.09%mom in a month earlier.** Core inflation and Volatile Food (VF) components contributed to higher monthly inflation while administered price component recorded monthly deflation. Annually, headline inflation recorded 3.52%yoy from 4.00%yoy, indicating that Jun. inflation was already within BI inflation target, 2%-4%. Year-to-date inflation recorded 1.24%ytd in the first half of 2023, lower than year-to-date inflation in first half of 2022, 3.15%ytd.
- **VF Inflation softened to 0.44%mom from 0.49%mom in May'23.** Main driver of VF components was chicken-related product, such as chicken meat (0.06ppt) and chicken egg (0.02ppt). According to Minister of Trade, chicken-related product inflation was caused by supply issue. On the other side, fish products dragged down inflation level as they contributed to deflation of 0.02ppt. Annual VF inflation eased to 1.20%yoy from 3.28%yoy. During first half of 2023, the commodity which contributed the most to inflation namely rice (0.20ppt), chicken meat (0.09ppt), and onion (0.07ppt). Overall, VF inflation posted 3.22%ytd in first half of 2023.
- **Core inflation slightly rose to 0.14%mom from 0.06%mom.** Meanwhile, annual core inflation eased to 2.58%yoy from 2.66%yoy. Higher monthly core inflation was driven by housing rent (0.01ppt), while the other product tended to be more stable. Housing rent and gold jewelry contributed the most to inflation in first half 2023 as both contributed 0.05ppt. Core inflation recorded 1.06%ytd.
- **Administered Prices (AP) recorded deflation of 0.01%mom from deflation of 0.25%mom in a month earlier.** Source of deflation in Jun'23 was fuel price, which contributed to 0.06ppt of deflation. Deflation in fuel prices was caused by lower non-subsidized fuel prices on the back of lower global oil prices. However, on the other side, higher air transportation fare trimmed down the deflation as it contributed 0.04ppt to inflation. Higher air transportation fare was driven by Hajj season and long holiday in last week of June'23. Filtered cigarettes contributed the most to AP inflation in 2023 as it contributed 0.14ppt, while overall AP inflation was only 0.13%ytd.

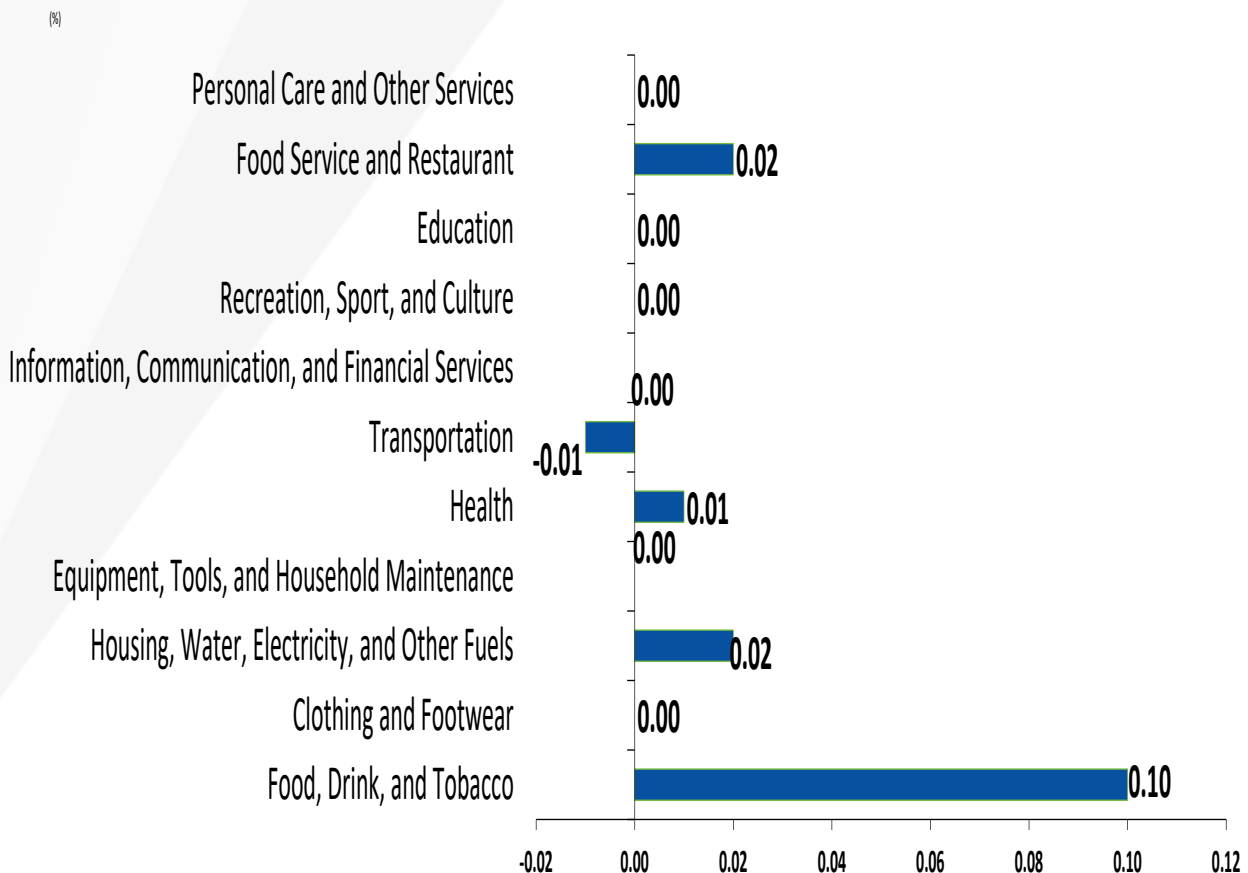
Our Standpoint

VF inflation still became main risk in 2023. Core inflation dragged down overall inflation due to lack of demand pressure in consumer side. On the other side, VF components still became one of main risk as it still rose due to supply chain and distribution problem. VF would also become main risk in the second half because potential El-Nino impact in the middle of 2023. On the other side, as inflation is already within BI inflation target, BI would potentially hold benchmark interest rate until end of 2023. BI also less likely to cut interest rates, especially because real policy rates gap between US and Indonesia tends to narrow down.

Historical Inflation 2019-2023



Inflation Contributor in June'23



Inflation Detail by Components

Changes in Consumer Price Index 2018 Base Year (percent)

	M-on-M changes			Y-on-Y changes		
	Apr-23	May-23	Jun-23	Apr-23	May-23	Jun-23
Core	0.25	0.06	0.12	2.83	2.66	2.58
Administered	0.69	-0.25	-0.02	10.32	9.52	9.21
Volatile	0.29	0.49	0.44	3.74	3.28	1.20
General	0.33	0.09	0.14	4.33	4.00	3.52

Source : BPS & PermataBank Economic Research

Changes in Consumer Price Index 2018 Base Year (percent)

	M-on-M changes			Y-on-Y changes		
	Apr-23	May-23	Jun-23	Apr-23	May-23	Jun-23
Food, Drink, and Tobacco	0.34	0.48	0.39	4.58	4.27	2.85
Clothing and Footwear	0.61	-0.46	0.08	1.80	1.54	1.47
Housing, Water, Electricity, and Other Fuels	0.07	0.05	0.10	2.53	2.48	2.49
Equipment, Tools, and Household Maintenance	0.23	0.20	0.08	3.27	3.03	2.57
Health	0.26	0.11	0.23	2.60	2.52	2.58
Transportation	0.84	-0.56	-0.10	11.96	10.62	10.18
Information, Communication, and Financial Services	-0.02	0.01	0.00	-0.25	-0.27	-0.23
Recreation, Sport, and Culture	0.05	0.10	0.12	2.38	2.18	2.17
Education	0.00	0.01	0.01	2.75	2.75	2.75
Food Service and Restaurant	0.34	0.15	0.22	3.79	3.38	3.27
Personal Care and Other Services	0.68	0.14	-0.04	4.67	4.48	4.27
General	0.33	0.09	0.14	4.33	4.00	3.52

Macro Economic Indicator

Indicators	2018	2019	2020	2021	2022	2023F
Inflation (%YoY)	3.1	2.7	1.7	1.9	5.51	3.25
Exchange Rate Eop (Rp/US\$)	14,390	13,866	14,050	14,253	15,568	15,000
Current Account (% GDP)	-3.0	-2.7	-0.4	0.28	1.00	0.64
Fiscal Balance (% GDP)	-1.8	-2.2	-6.1	-4.7	-2.4	-2.7
BI 7RR	6.00	5.00	3.75	3.50	5.50	5.75
Credit Growth (%)	11.8	6.1	-2.1	5.2	11.4	9.0
Deposit Growth (%)	6.4	6.5	11.1	12.2	9.0	7.1
NPL Commercial Banks (%)	2.4	2.5	3.1	3.2	2.4	2.7
Car Sales (1000 Units)	1,150	1,030	532	887	1,048	1,067
Car Sales Growth (%)	6.50	-10.61	-48.35	66.73	18.16	1.79
Motorcycle Sales (1000 Units)	6,383	6,487	3,663	5,057	5,221	5,943
Motorcycle Sales Growth (%)	8.45	1.63	-43.54	38.06	3.25	13.82
Government Capex (Rp tn)	184.9	180.9	188.8	241.5	238.8	189.2
Unemployment Rate (%)	5.40	5.16	7.07	6.49	5.86	5.79
International Reserve (US\$ bn)	120.7	129.2	135.9	144.9	137.2	143.0
Oil Prices (\$/barrel)	71.1	64.0	42.3	70.4	86.3	79.1
Coal Prices (\$/MT)	107.0	77.9	60.8	138.1	377.5	226.5
CPO Prices (\$/MT)	638.7	601.4	751.8	1130.6	907.0	874.5
Fed Rate	2.50	1.75	0.25	0.25	4.50	5.50
GDP Growth (%)	5.17	5.02	-2.07	3.69	5.31	4.90

Thank you!

Permata Bank Economic Research

Josua Pardede

Chief Economist

josua.pardede@permatatabank.co.id

+62 0808089908

Ext. 80909078

Qolbie Ardie

Junior Economist

qolbie.ardie@permatatabank.co.id

+62 0808089908

Ext. 80909078

Adjie Harisandi

Industry Analyst

adjie.harisandi@permatatabank.co.id

+62 0808089908

Ext. 80909078

Ani Utami

Industry Analyst

ani.utami@permatatabank.co.id

+62 0808089908

Ext. 80909078

PT. Bank Permata TBK

Economic Research Division

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