

PIER Snapshot: Nov-23 CPI

01 December 2023

Nov'23 CPI: Inflation rate rose due to elevated chili prices

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CPI Review

- In Nov'23, the monthly inflation rate increased to 0.38%mom compared to the previous period of 0.17%mom. Annually, inflation rate also saw a rise from 2.56%yoy to 2.86%yoy. Higher inflation rate was primarily driven by volatile prices, particularly in foodstuff. The year-to-date inflation up to Nov'23 stood at 2.19%, notably lower than the 4.73% in the same period last year.
- Volatile price inflation experienced a significant rise from 0.21%mom or 5.54%yoy in the previous month to 1.72%mom or 7.59%yoy. The volatile price component was the major contributor to monthly inflation, accounting for 0.29ppt. The surge in volatile prices was led by chili-related products, with red chili contributing 0.16ppt and bird's eye chili contributing 0.08ppt. The Ministry of Trade reported a 54.12%mom increase in red chili prices and a 34.49%mom increase in bird's eye chili prices, attributed to supply issues caused by El-Nino. Other commodities contributing to higher monthly inflation included shallots (0.03ppt) and rice (0.02ppt).
- Administered prices (AP) inflation remained muted due to a mixed price trend of some products within the basket. Airfares contributed 0.04ppt to inflation as demand for air transport increased, driven by higher business trip intensity. On the flip side, gasoline contributed 0.04ppt of deflation as prices of various non-subsidized fuels like Pertamina, Pertamina Dex, and Dexlite fell. The decline in fuel prices was influenced by lower global oil prices in Nov'23. Overall, AP inflation rate slowed down from 0.46%mom to 0.08%mom, equivalent from 2.12%yoy to 2.07%yoy.
- Core inflation recorded 0.12%mom or 1.87%yoy, compared to the previous period of 0.08%mom and 1.91%yoy. The main driver of monthly core inflation was the increase in gold jewelry price following the rise in global gold price in Nov'23. The increase in global gold prices was a result of a weaker U.S. Dollar, driven by softer U.S. economic indicators. This condition leading to expectations of a policy rate cut sooner in mid-2024 influenced gold jewelry price to go up, contributing 0.03ppt to monthly inflation.

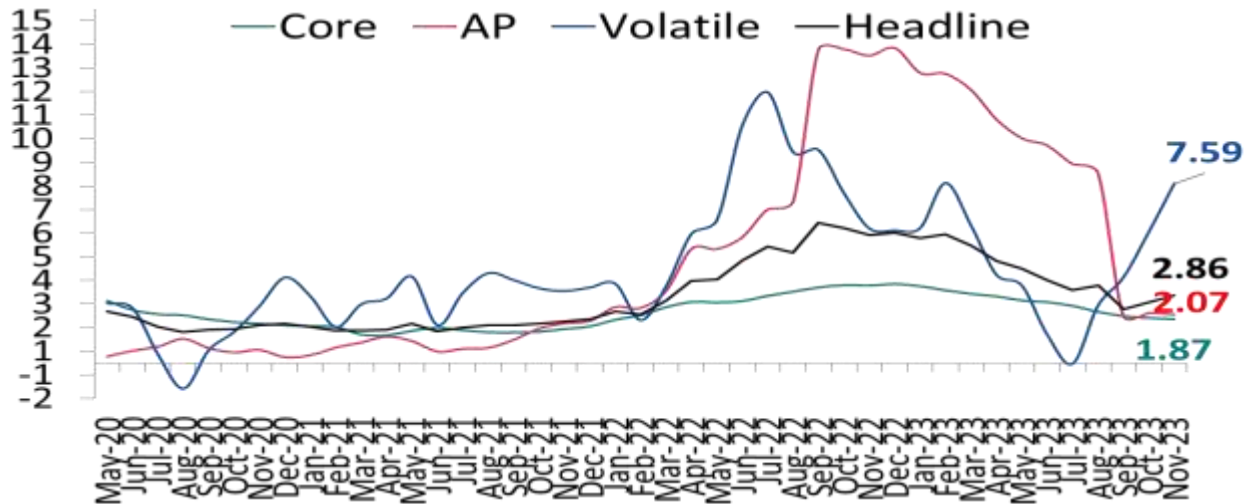
Economic Implication

- **The impact of El Nino continues to be primary inflationary risk going forward.**
The immediate inflationary concern lies in the short-term impact of El-Nino, particularly on domestic food supply. Conversely, the inflation risk stemming from Rupiah depreciation is expected to be more constrained, given the tendency of the U.S. Dollar to weaken in response to subdued US economic indicators. Looking ahead to 2024, in addition to the early-year impact of El-Nino, inflationary pressures will also arise from the implementation of excise duties on plastic and sweetened packaged beverages. By the end of 2023, it is anticipated that inflation will range between 2.7 – 3.0%, primarily driven by seasonal inflation associated with December, including Christmas and New Year holidays. Projecting into 2024, inflation is expected to hover between 3.0 – 3.2%.

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Developments in Headline Inflation and Its Components



Source: BPS & PermataBank Economic Research

Monthly FBT components inflation rose more than 1%

Changes in Consumer Price Index 2018 Base Year (percent)

	M-on-M changes			Y-on-Y changes		
	Sep-23	Oct-23	Nov-23	Sep-23	Oct-23	Nov-23
Food, Drink, and Tobacco	0.35	0.20	1.23	4.17	5.41	6.71
Clothing and Footwear	0.06	-0.04	-0.04	0.98	0.85	0.69
Housing, Water, Electricity, and Other Fuels	0.02	0.08	0.04	1.26	1.16	1.12
Equipment, Tools, and Household Maintenance	0.10	0.10	-0.03	1.97	1.89	1.63
Health	0.03	0.11	0.21	2.14	2.04	2.04
Transportation	0.29	0.55	0.07	0.99	1.20	1.27
Information, Communication, and Financial Services	0.25	-0.02	-0.02	0.06	0.11	0.07
Recreation, Sport, and Culture	0.01	0.08	0.10	1.58	1.50	1.38
Education	0.21	0.07	0.01	2.08	1.99	1.98
Food Service and Restaurant	0.10	0.10	0.07	2.40	2.21	2.18
Personal Care and Other Services	0.19	0.23	0.53	3.68	3.67	3.76
Headline	0.19	0.17	0.38	2.28	2.56	2.86

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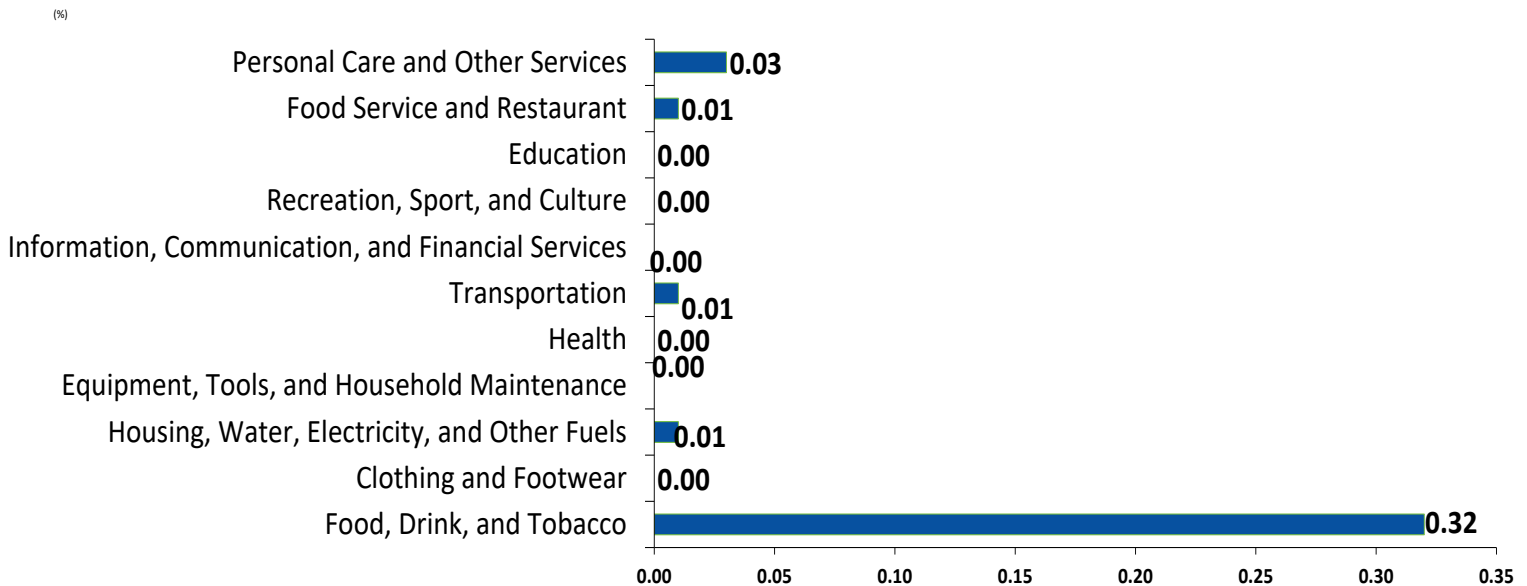
01 December 2023

Volatile Price Rose as Chili Price Rose

Changes in Consumer Price Index 2018 Base Year (percent)

	M-on-M changes			Y-on-Y changes		
	Sep-23	Oct-23	Nov-23	Sep-23	Oct-23	Nov-23
Core	0.12	0.08	0.12	2.00	1.91	1.87
Administered	0.23	0.46	0.08	1.99	2.12	2.07
Volatile	0.37	0.21	1.72	3.62	5.54	7.59
Headline	0.19	0.17	0.38	2.28	2.56	2.86

Contributors to Nov'23 CPI (%)



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Macro Economic Indicator

Indicators	2018	2019	2020	2021	2022	2023F	2024F
Inflation (%YoY)	3.1	2.7	1.7	1.9	5.51	2.89	3.17
Exchange Rate Eop (Rp/US\$)	14,390	13,866	14,050	14,253	15,568	15,300	15,124
Current Account (% GDP)	-3.0	-2.7	-0.4	0.28	1.00	-0.28	-1.75
Fiscal Balance (% GDP)	-1.8	-2.2	-6.1	-4.7	-2.4	-2.3	-2.3
BI 7RR	6.00	5.00	3.75	3.50	5.50	6.00	5.50
Credit Growth (%)	11.8	6.1	-2.1	5.2	11.4	8.6	8.7
Deposit Growth (%)	6.4	6.5	11.1	12.2	9.0	5.7	5.9
Car Sales (1000 Units)	1,150	1,030	532	887	1,048	1,062	1,084
Car Sales Growth (%)	6.50	-10.61	-48.35	66.73	18.16	1.32	2.10
Motorcycle Sales (1000 Units)	6,383	6,487	3,663	5,057	5,221	5,997	6,169
Motorcycle Sales Growth (%)	8.45	1.63	-43.54	38.06	3.25	14.84	2.87
Unemployment Rate (%)	5.40	5.16	7.07	6.49	5.86	5.60	5.40
International Reserve (US\$ bn)	120.7	129.2	135.9	144.9	137.2	137.0	148.6
Fed Rate	2.50	1.75	0.25	0.25	4.50	5.75	5.25
GDP Growth (%)	5.17	5.02	-2.07	3.69	5.31	5.07	5.09

Note : the red numbers are forecast

Source : PermataBank Economic Research

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