

# Oct'23 CPI: Inflation slightly slowed down as foodstuff inflation posted lower than anticipated

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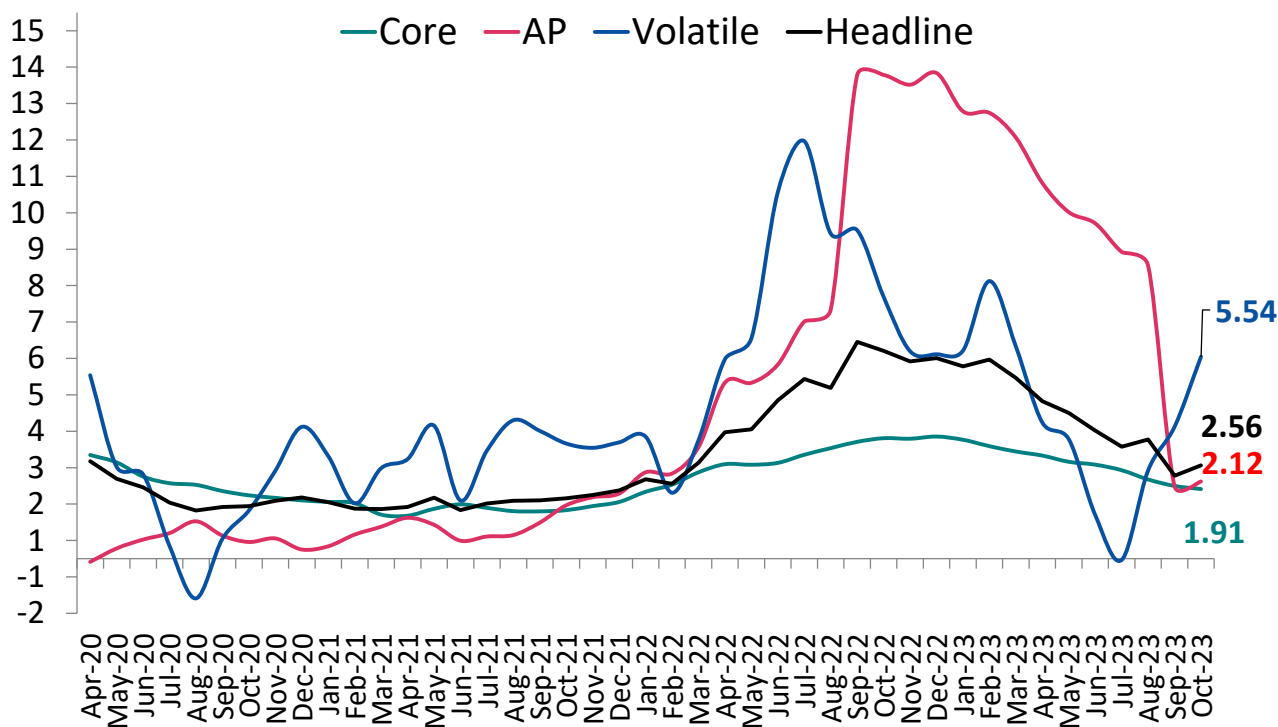
## CPI Review

- Consumer Price Index (CPI) in Oct'23 recorded 0.17%mom inflation, slightly lower than inflation recorded in the previous period of 0.19%mom, while also lower than our anticipation of 0.24%mom. Lower CPI inflation was mainly caused by inflation pace within the volatile components that was not as high as in the previous period, especially because some of the components already recorded deflation. This suggested that the impact of El Nino on food inflation tends to be more moderate, thanks to various government policies in controlling food prices and supplies. Annually, inflation strengthened to 2.56%yoy from 2.28%yoy in Sep'23 as CPI recorded deflation in Oct'22. Year-to-Date inflation posted 1.80%ytd, notably lower compared to 4.64%ytd in the same period last year.
- Volatile price inflation slowed down to 0.21%mom in Oct'23 from 0.37%mom in Sep'23, while annually it hiked to 5.54%yoy from 3.64%yoy. Rice still became the main driver of high volatile price inflation, albeit slower than in the previous period, contributing around 0.06ppt to inflation. Other food components contributed a mild inflation, such as bird's eye chili, which contributed 0.03ppt to inflation, and red chili, which contributed 0.01ppt to inflation. On the other side, some of foodstuff components already recorded deflation, such as chicken egg and fresh fish, which each contributed 0.03ppt of deflation. However, we still see that persistently high food inflation amid El Nino will keep becoming one of the major risks on headline inflation going forward.
- Administered Prices (AP) component recorded the highest contribution on inflation as it contributed 0.09ppt to inflation. Main driver for AP inflation came from gasoline, air transportation, and water utility tariff, which respectively contributed 0.04ppt, 0.02ppt, and 0.01ppt. Gasoline and air transportation price rose due to higher global oil price in Oct'23 along with the Rupiah depreciation, which transmitted directly to the non-subsidize fuels and air transportation fares. Oil prices rose during the escalation of conflict in the Middle East, specifically between Palestine and Israel. Meanwhile, the Rupiah depreciation was driven by solid US economic data that rose the risk of "higher-for-longer" which eventually increased risk-off sentiment. On the other side, water utility tariff rose after some of regional water companies increased their tariff, such as in Tabanan and Palembang. AP inflation rose 0.46%mom or 2.12%yoy in Oct'23 from 0.23%mom or 1.99%yoy in Sep'23.
- Core inflation posted a further slowdown, easing from 0.13% in Sep'23 to 0.08%mom in Oct'23. Annually, core inflation slowed to 1.91%yoy from 2.00%yoy. Main contributors of core inflation in Oct'23 were gold jewelry as global gold prices rose amid increasing risk of global economic environment, and imported inflation related to the Rupiah depreciation. Global gold prices rose after the geopolitical tension in the Middle East drove investors to shift into the safe-haven assets.

## Economic Implication

- **Imported inflation became additional risk towards the end of 2023.**  
As we see from the trend of volatile price inflation in 2023, El Nino impact still became the main risk of inflationary pressure. In addition, due to pressure from depreciating Rupiah, we see that imported inflation has become additional risk towards the end of 2023. If the global uncertainty coming from the Fed and the Middle East conflict keeps escalating, the imported inflation could potentially be transmitted to producer prices thus consumer prices. Nevertheless, as the government is strongly committed to overcoming the impact of El Nino on food inflation and inflationary risks coming from the currency risk will have lags to fully materialize, we still expect that inflation would stay within our forecast of 2.6 – 2.9% by the end of 2023.

Developments in Headline Inflation and Its Components



Source: BPS & PermataBank Economic Research

Transportation Posted Highest Monthly Inflation in Oct'23

Changes in Consumer Price Index 2018 Base Year (percent)

	M-on-M changes			Y-on-Y changes		
	Aug-23	Sep-23	Oct-23	Aug-23	Sep-23	Oct-23
Food, Drink, and Tobacco	-0.25	0.35	0.20	3.51	4.17	5.41
Clothing and Footwear	-0.27	0.06	-0.04	1.12	0.98	0.85
Housing, Water, Electricity, and Other Fuels	-0.05	0.02	0.08	1.40	1.26	1.16
Equipment, Tools, and Household Maintenance	0.10	0.10	0.10	2.21	1.97	1.89
Health	0.10	0.03	0.11	2.69	2.14	2.04
Transportation	-0.02	0.29	0.55	9.65	0.99	1.20
Information, Communication, and Financial Services	-0.01	0.25	-0.02	-0.22	0.06	0.11
Recreation, Sport, and Culture	0.07	0.01	0.08	1.88	1.58	1.50
Education	0.86	0.21	0.07	2.07	2.08	1.99
Food Service and Restaurant	0.14	0.10	0.10	2.88	2.40	2.21
Personal Care and Other Services	0.08	0.19	0.23	3.76	3.68	3.67
<b>Headline</b>	<b>-0.02</b>	<b>0.19</b>	<b>0.17</b>	<b>3.27</b>	<b>2.28</b>	<b>2.56</b>

Source : BPS & PermataBank Economic Research

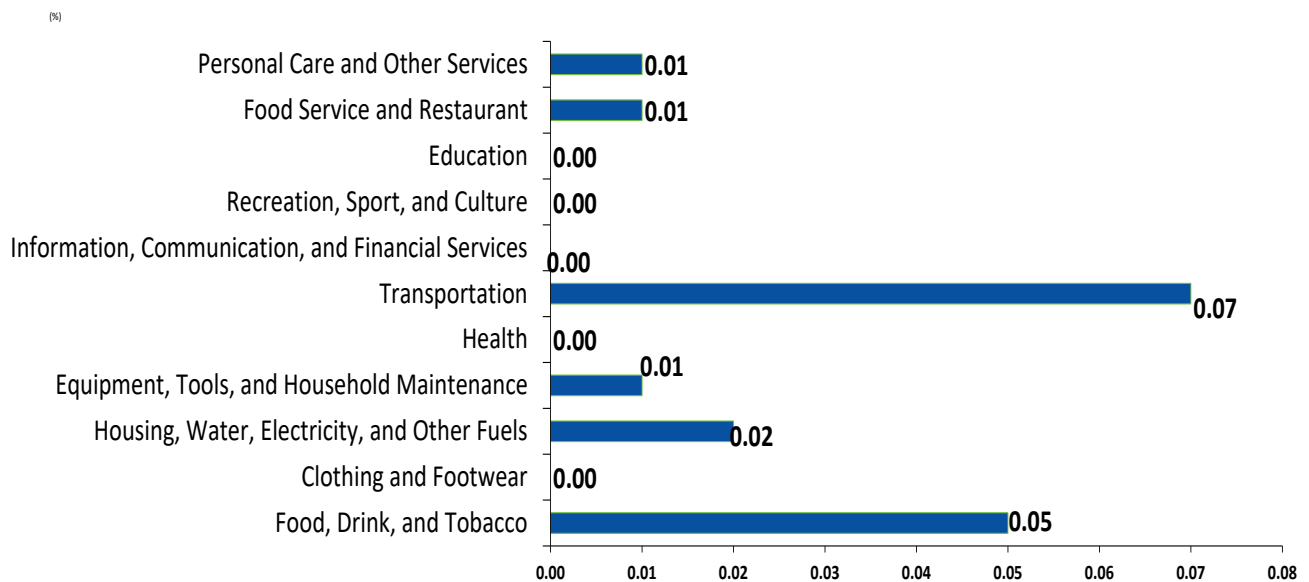
## AP Rose Higher than Other Components

### Changes in Consumer Price Index 2018 Base Year (percent)

	M-on-M changes			Y-on-Y changes		
	Aug-23	Sep-23	Oct-23	Aug-23	Sep-23	Oct-23
Core	0.13	0.12	0.08	2.18	2.00	1.91
Administered	-0.02	0.23	0.46	8.05	1.99	2.12
Volatile	-0.51	0.37	0.21	2.42	3.62	5.54
<b>Headline</b>	<b>-0.02</b>	<b>0.19</b>	<b>0.17</b>	<b>3.27</b>	<b>2.28</b>	<b>2.56</b>

Source : BPS & PermataBank Economic Research

### Contributors to Oct'23 CPI (%)



Source: BPS & PermataBank Economic Research

## 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
Curent 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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