

CPI:

## A happy (first half) new year

Elbert Timothy Lasiman  
Economist/Analyst

Barra Kukuh Mamia  
Senior Economist

02 Jan 2024

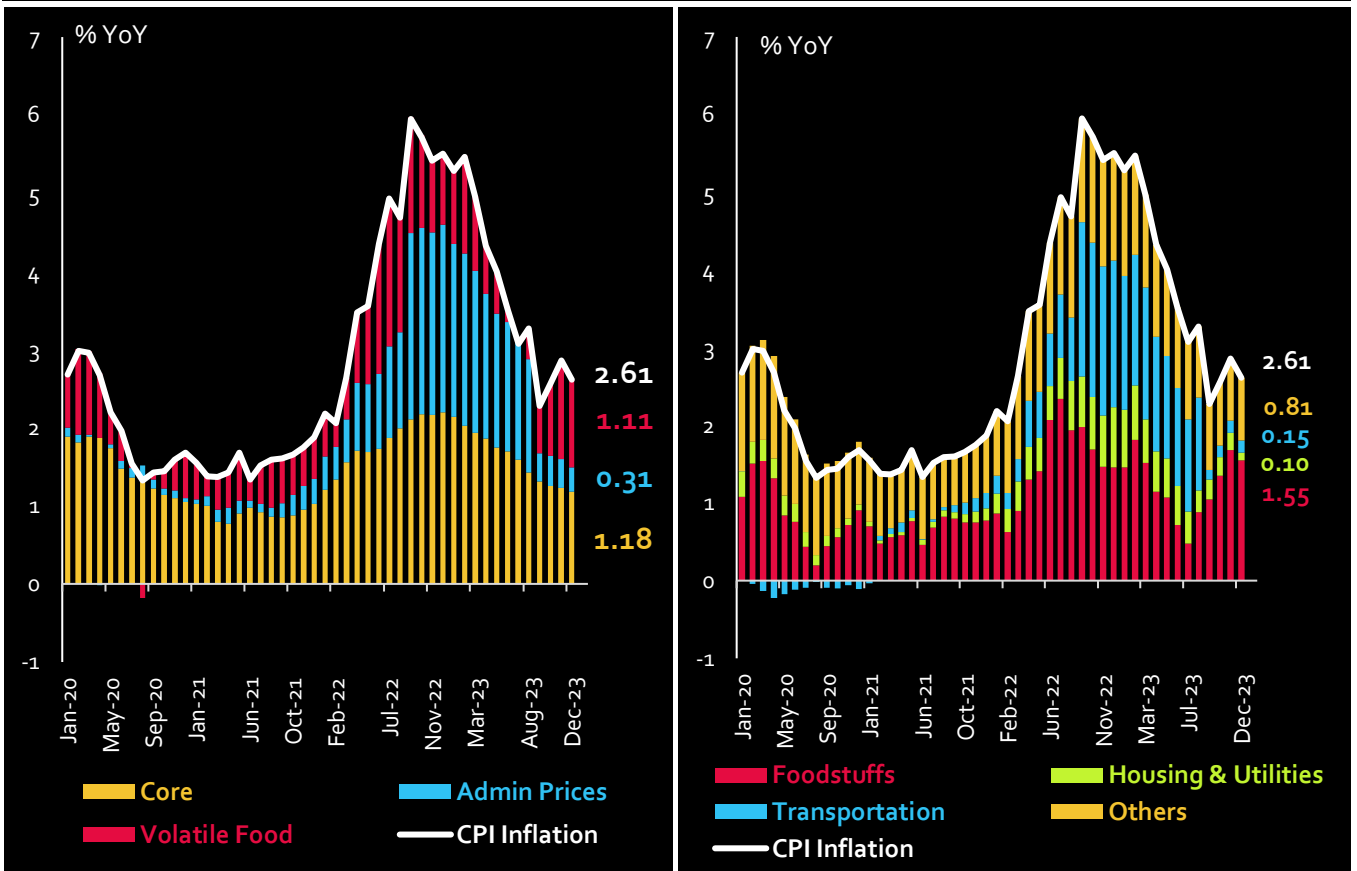
### Executive Summary

- Inflation decreased to 2.61% YoY (0.41% MoM) in Dec-23, as disbursement of social spending is paired with strong efforts to fight food inflation.
- Core inflation slowed further to 1.80% YoY due to subdued transport inflation and also in line with the global trend.
- We see moderately higher inflation in 2024 at around 3.2%, due to stronger demand and El Nino, but also a weaker disinflationary trend globally

- Indonesia's inflation fell to 2.61% YoY (0.41% MoM) in Dec-23, down from the previous 2.86% and lower than the consensus of 2.74%. The MoM increase is on the lower side for the month of December.
- The easing pressure mostly comes from the foodstuffs category, particularly due to the stable rice prices. The government is heavily intervening in food prices with various programs (SPHP, social assistance, etc.). Furthermore, there was a significant import of sugar in November. In contrast, red chili and shallot contribute the most to inflation. Those two items are harder to control than rice due to relatively limited options to import.
- Despite the relief of food prices, we cannot overlook the El Nino effect. The Australian Bureau of Meteorology anticipates El Nino persisting until Mar-24, coinciding with the rice harvest season in Indonesia. On top of that, March also marks the beginning of Ramadan. This month, as such, may prove to be the 'moment of truth' for the government's efforts to combat inflation.
- Core inflation also experienced a notable slowdown to 1.80% YoY, compared to the previous 1.87% YoY. The base effect on the housing category (rent and utilities) contributes a major part of the slowdown. Transportation contributes the most to core inflation in MoM terms, with ticket prices rising during the holiday season. However, the rise is relatively modest compared to last year when there was strong pent-up travel demand and is also moderated by lower oil prices.
- The slowdown in core inflation still aligns with the global disinflation trends. Dumping of goods from China remains a significant force driving disinflation, although its impact may diminish later in 2024. Rupiah fluctuations – first weakening, then strengthening again – add an extra wrinkle for core inflation, with e-commerce prices suggesting that the Rupiah's temporary weakness could translate to higher inflation for certain items.

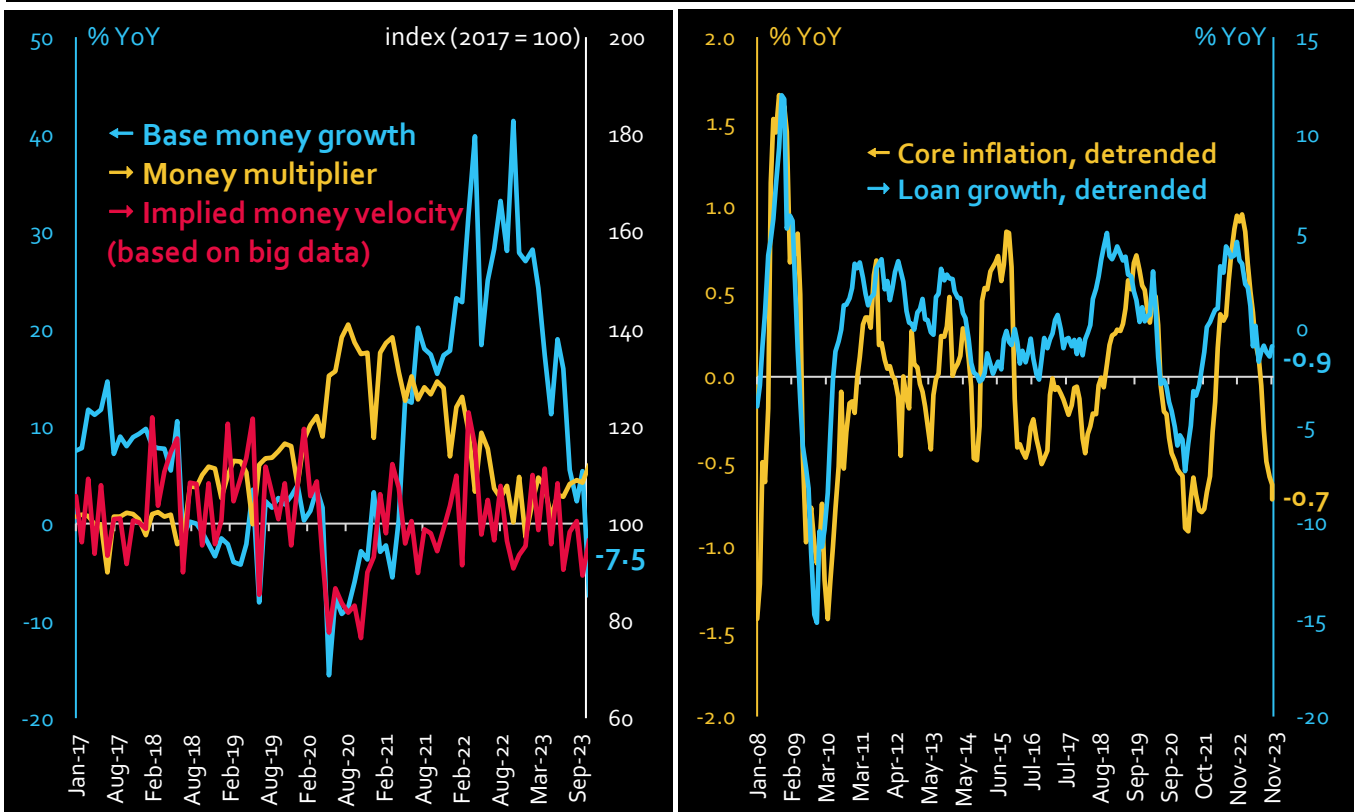
- Our outlook for inflation in 2024 is relatively moderate at around 3.2% YoY, in line with BI's inflation target range of  $2.5 \pm 1\%$  albeit in the upper half. Stronger consumer demand and the El Nino effect, especially in H1-23, suggest relatively high inflation, but this has to be weighed against continued global disinflation and also potential normalization of demand later in the year.
- In H1-23, the election will push the government to spend, especially by means of social assistance. This will replenish households' savings and increase their purchasing power since households' savings are limited after months of strong spending.
- Aside from spending, the government will also work to stabilize prices, as seen from the recent rice and sugar imports. Naturally, the effect of El Nino-driven inflation is going to be suppressed. In the best-case scenario, this would result in strong demand without accompanying inflation.
- Global factors remain the biggest X-factor here. We may still somewhat reliably expect China to continue driving global prices lower from its supply-side stimulus. However, the risk of supply disruptions may be on the rise again, as signified by the current shipping disruptions due to Houthi attacks in the Bab el-Mandeb Strait. On balance, then, we probably cannot count on as strong a disinflation effect as in 2023 for the year ahead.

**Panel 1. Foodstuffs was still the biggest contributor to inflation**

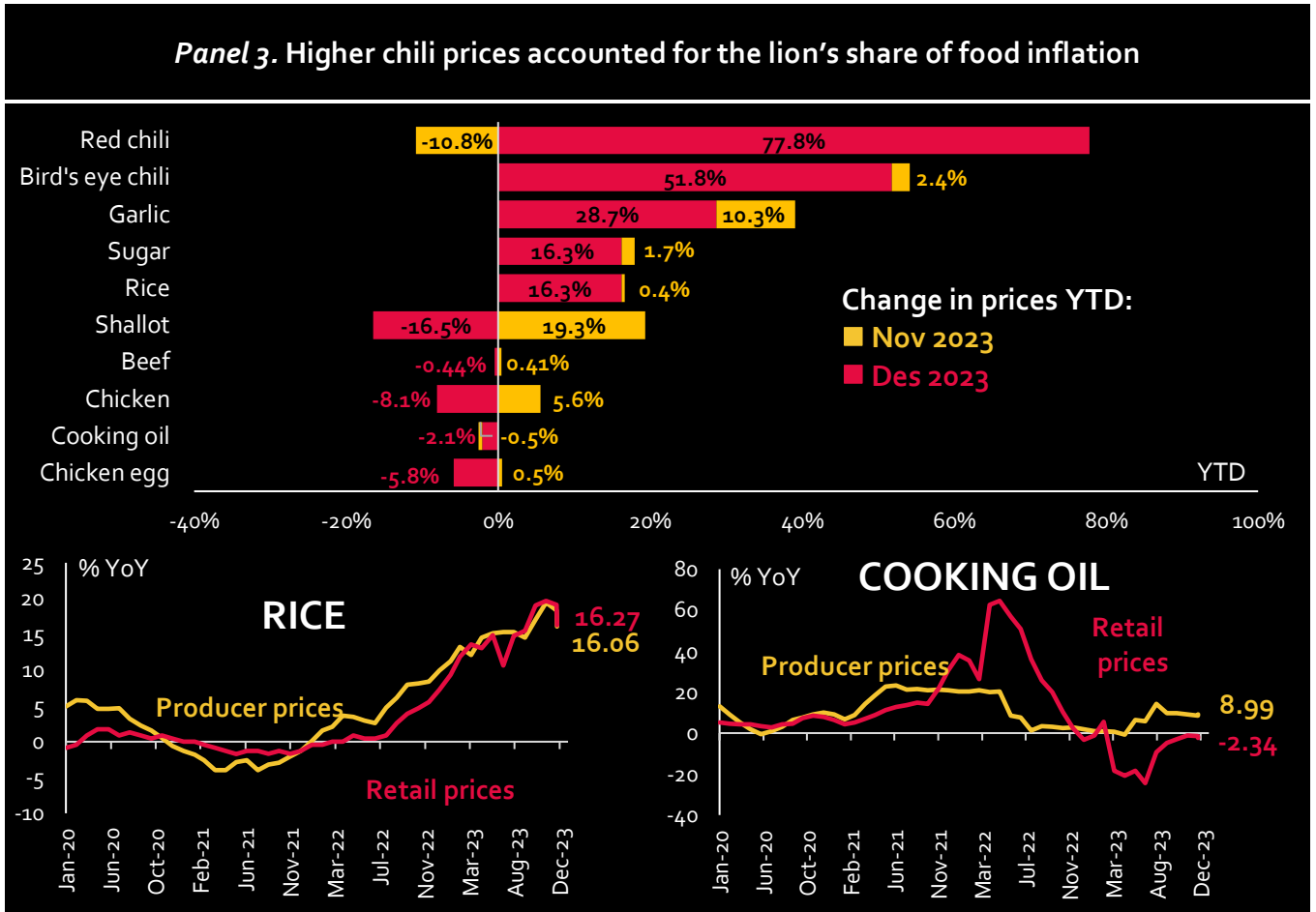


Source: BPS, calculation by BCA Economic Research

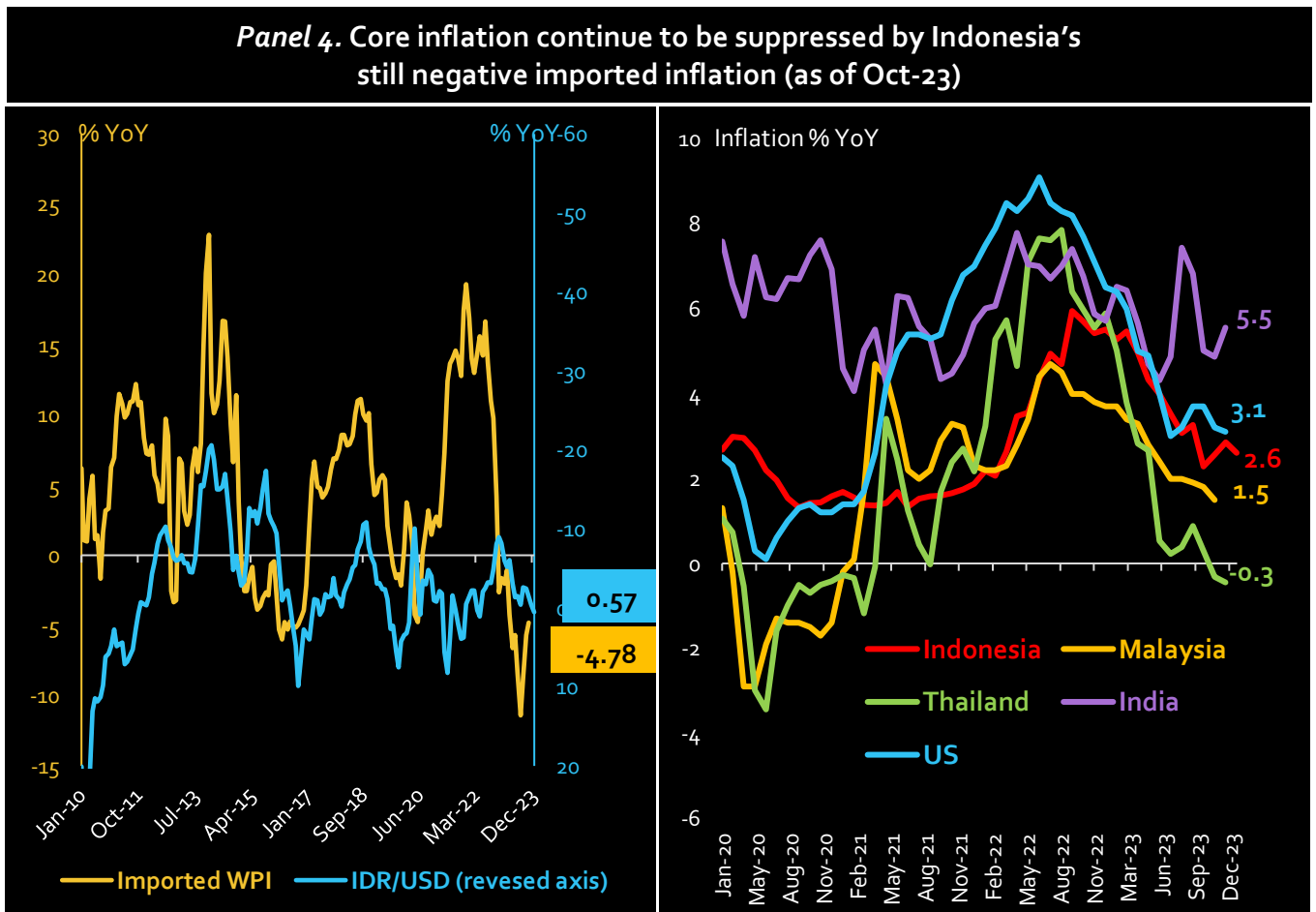
**Panel 2. Core inflation continues to slow down, but further downside might be limited**



Source: BI, OJK, BCA big data, calculation by BCA Economic Research



Source: Ministry of Trade, BPS



Source: BI, Bloomberg

## Selected Macroeconomic Indicators

Key Policy Rates	Rate (%)	Last Change	Real Rate (%)	Trade & Commodities	29-Dec	-1 mth	Chg (%)
US	5.50	Dec-23	2.40	Baltic Dry Index	2,094.0	2,391.0	-12.4
UK	5.25	Dec-23	1.35	S&P GSCI Index	535.6	558.5	-4.1
EU	4.50	Dec-23	2.10	Oil (Brent, \$/bbl)	77.0	81.7	-5.7
Japan	-0.10	Jan-16	-2.90	Coal (\$/MT)	133.8	129.2	3.6
China (lending)	2.50	Dec-23	4.85	Gas (\$/MMBtu)	2.58	2.80	-8.0
Korea	3.50	Nov-23	0.30	Gold (\$/oz.)	2,063.0	2,041.0	1.1
India	6.50	Dec-23	0.95	Copper (\$/MT)	8,463.9	8,387.8	0.9
Indonesia	6.00	Nov-23	3.39	Nickel (\$/MT)	16,375.0	16,539.0	-1.0
Money Mkt Rates	29-Dec	-1 mth	Chg (bps)	CPO (\$/MT)	802.7	802.9	-0.0
				Rubber (\$/kg)	1.53	1.46	4.8
SPN (1M)	5.88	5.80	7.6	External Sector	Nov	Oct	Chg (%)
SUN (10Y)	6.45	6.67	-21.8	Export (\$ bn)	22.00	22.15	-0.67
INDONIA (O/N, Rp)	5.88	5.92	-3.8	Import (\$ bn)	19.59	18.67	4.89
JIBOR 1M (Rp)	6.65	6.65	-0.5	Trade bal. (\$ bn)	2.41	3.47	-30.56
Bank Rates (Rp)	Oct	Sep	Chg (bps)	Central bank reserves (\$ bn)*	138.1	133.1	3.73
Lending (WC)	9.05	9.02	2.79	Prompt Indicators	Nov	Oct	Sep
Deposit 1M	4.43	4.33	10.10	Consumer confidence index (CCI)	123.6	124.3	121.7
Savings	0.67	0.66	0.19	Car sales (%YoY)	-7.5	-13.8	-20.1
Currency/USD	29-Dec	-1 mth	Chg (%)	Motorcycle sales (%YoY)	-2.8	-4.0	-0.9
UK Pound	0.785	0.788	0.29	Manufacturing PMI	Nov	Oct	Chg (bps)
Euro	0.906	0.910	0.42	USA	46.7	46.7	0
Japanese Yen	141.0	147.5	4.57	Eurozone	44.2	43.1	110
Chinese RMB	7.100	7.136	0.51	Japan	48.3	48.7	-40
Indonesia Rupiah	15,397	15,435	0.25	China	50.7	49.5	120
Capital Mkt	29-Dec	-1 mth	Chg (%)	Korea	50.0	49.8	20
JCI	7,272.8	7,041.1	3.29	Indonesia	51.7	51.5	20
DJIA	37,689.5	35,417.0	6.42				
FTSE	7,733.2	7,455.2	3.73				
Nikkei 225	33,464.2	33,408.4	0.17				
Hang Seng	17,047.4	17,354.1	-1.77				
Foreign portfolio ownership (Rp Tn)	Nov	Oct	Chg (Rp Tn)				
Stock	3,136.1	2,895.1	240.91				
Govt. Bond	833.9	810.4	23.50				
Corp. Bond	11.2	11.3	-0.14				

Source: Bloomberg, BI, BPS

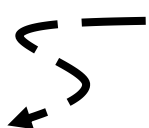
Notes:

^Data for January 2022

\*Data from earlier period

\*\*For changes in currency: **Black** indicates appreciation against USD, **Red** otherwise

\*\*\*For PMI, **>50** indicates economic expansion, **<50** otherwise



Scan for the link to our report depository or click:

[https://s.id/BCA\\_REI](https://s.id/BCA_REI)

## Indonesia – Economic Indicators Projection

	2019	2020	2021	2022	2023E	2024E
Gross Domestic Product (% YoY)	5.0	-2.1	3.7	5.3	5.1	5.0
GDP per Capita (US\$)	4175	3912	4350	4784	4982	5149
Consumer Price Index Inflation (% YoY)	2.7	1.7	1.9	5.5	2.6*	3.2
BI 7 day Repo Rate (%)	5.00	3.75	3.50	5.50	6.00*	5.50
USD/IDR Exchange Rate (end of year)**	13,866	14,050	14,262	15,568	15,397*	16,037
Trade Balance (US\$ billion)	-3.2	21.7	35.3	54.5	34.9	32.6
Current Account Balance (% GDP)	-2.7	-0.4	0.3	1.0	-0.4	-0.5

\* Actual Number

\*\* Estimation of Rupiah's fundamental exchange rate

### Economic, Banking & Industry Research Team

**David E. Sumual**

Chief Economist

david\_sumual@bca.co.id

+6221 2358 8000 Ext: 1051352

**Victor George Petrus Matindas**

Senior Economist

victor\_matindas@bca.co.id

+6221 2358 8000 Ext: 1058408

**Keely Julia Hasim**

Economist / Analyst

keely\_hasim@bca.co.id

+6221 2358 8000 Ext: 1071535

**Aldi Rizaldi**

Research Assistant

aldi\_yanto@bca.co.id

+6221 2358 8000 Ext: 1020451

**Agus Salim Hardjodinoto**

Head of Industry and Regional Research

agus\_lim@bca.co.id

+6221 2358 8000 Ext: 1005314

**Gabriella Yolivia**

Industry Analyst

gabriella\_yolivia@bca.co.id

+6221 2358 8000 Ext: 1063933

**Elbert Timothy Lasiman**

Economist / Analyst

elbert\_lasiman@bca.co.id

+6221 2358 8000 Ext: 1074310

**Fikri Adam Zaqi**

Research Assistant

-

+6221 2358 8000 Ext: -

**Barra Kukuh Mamia**

Senior Economist

barra\_mamia@bca.co.id

+6221 2358 8000 Ext: 1053819

**Lazuardin Thariq Hamzah**

Economist / Analyst

lazuardin\_hamzah@bca.co.id

+6221 2358 8000 Ext: 1071724

**Thierris Nora Kusuma**

Economist / Analyst

thierris\_kusuma@bca.co.id

+6221 2358 8000 Ext: 1071930

### PT Bank Central Asia Tbk

#### Economic, Banking & Industry Research of BCA Group

20<sup>th</sup> Grand Indonesia, Menara BCA

Jl. M.H Thamrin No. 1, Jakarta 10310, Indonesia

Ph : (62-21) 2358-8000 Fax : (62-21) 2358-8343

#### DISCLAIMER

This report is for information only, and is not intended as an offer or solicitation with respect to the purchase or sale of a security. We deem that the information contained in this report has been taken from sources which we deem reliable. However, we do not guarantee their accuracy, and any such information may be incomplete or condensed. None of PT. Bank Central Asia Tbk, and/or its affiliated companies and/or their respective employees and/or agents makes any representation or warranty (express or implied) or accepts any responsibility or liability as to, or in relation to, the accuracy or completeness of the information and opinions contained in this report or as to any information contained in this report or any other such information or opinions remaining unchanged after the issue thereof. The Company, or any of its related companies or any individuals connected with the group accepts no liability for any direct, special, indirect, consequential, incidental damages or any other loss or damages of any kind arising from any use of the information herein (including any error, omission or misstatement herein, negligent or otherwise) or further communication thereof, even if the Company or any other person has been advised of the possibility thereof. Opinion expressed is the analysts' current personal views as of the date appearing on this material only, and subject to change without notice. It is intended for the use by recipient only and may not be reproduced or copied/photocopied or duplicated or made available in any form, by any means, or redist ted to others without written permission of PT Bank Central Asia Tbk.

All opinions and estimates included in this report are based on certain assumptions. Actual results may differ materially. In considering any investments you should make your own independent assessment and seek your own professional financial and legal advice. For further information please contact: (62-21) 2358 8000, Ext: 1020451 or fax to: (62-21) 2358 8343 or email: [aldi\\_yanto@bca.co.id](mailto:aldi_yanto@bca.co.id)