

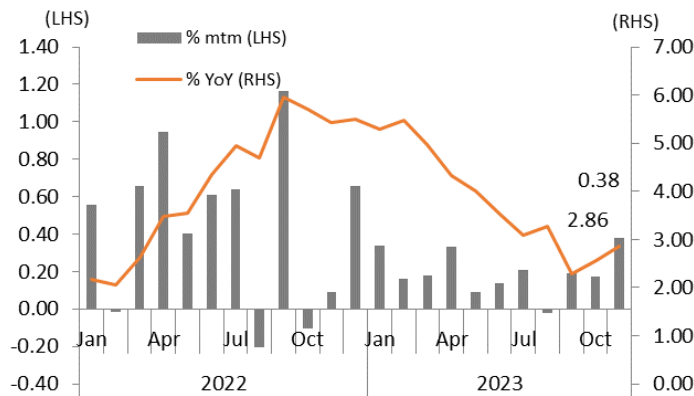
El Niño Continues to Drive Nov '23 Inflation

As anticipated, the El Niño-related risks have constrained domestic production and propelled a rise in Volatile Foods price by +1.72% MoM or +7.59% YoY, contributing significantly by 44.05% to the increase in the CPI headline inflation for Nov '23, reaching +0.38% MoM or +2.86% YoY (Cons: +2.70% YoY, KBVS: +2.65% YoY, Prev: +2.56% YoY). Among the commodities, the most significant price hikes observed in traditional markets were attributed to Red Chili Pepper (+33.21% MoM), Cayenne Pepper (+25.06% MoM), Red Onion (+19.48% MoM), and a modest increase of +0.37% MoM for Lower Quality Rice I and II (see Fig 7 and Fig 8, P.2). Furthermore, this situation has been exacerbated by crop failures in several commodity-producing centers, notably in West Java (especially Bogor, Bandung Barat and Cianjur), Central Java (Brebes), Banten (Pandeglang), West Sumatra (Pasaman Barat), then South Sulawesi (Enrekang and Soppeng). Meanwhile, the decline in Non-Subsidized Fuel prices as of 1 Nov '23, ranging from -0.84% (Pertamina Dex) to -6.25% (Pertamax Green 95) and -6.63% (Pertamax Turbo), has kept the increase in Administered Prices to just 0.08% MoM or 2.07% YoY (prev: 0.46% MoM or 2.12% YoY).

Indonesia's Nikkei Manufacturing PMI for Nov '23 stood at 51.7 (Prev: 51.5), continuing its trend within the expansionary zone for 27 consecutive months. Output Growth increase aligned with improvements in employment figures has been the primary driver for this month's PMI hike. However, the persisting weakness in foreign demand, which we attribute to sluggish import demand from China, has led to a continued decline in New Export Orders for the past 2 months. On the other hand, the sustained inflation has kept input costs and output price inflation at relatively low levels.

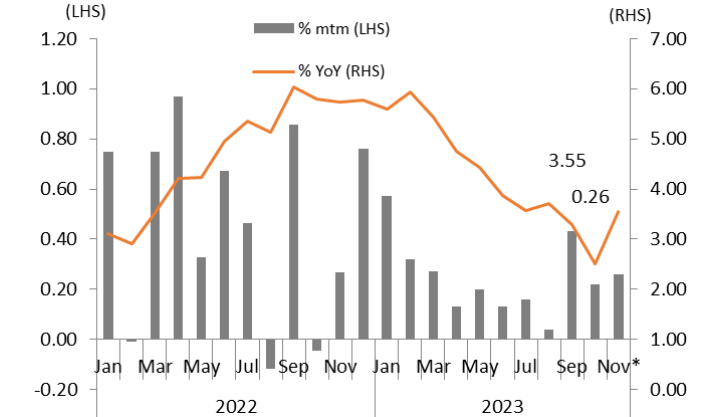
Looking ahead, we anticipate that the conclusion of the dry season by the end of Oct '23, coupled with the commencement of the planting season, will gradually bolster production and mitigate commodity prices hike (especially Volatile Foods). This is evidenced by the stabilization of these components since the third week of Nov '23, alongside price reductions seen in Rice, Chicken, and Beef in the final week of Nov '23 (see Table 1, P2). Nonetheless, we acknowledge the potential effects of the seasonal impact of school holidays, Christmas, and New Year, which could drive population mobility and stimulate domestic demand. This, in turn, is expected to contribute to an increase in Manufacturing PMI for Dec '23 and potentially drive inflation in related sectors. Nevertheless, with the reduction in Non-Subsidized Fuel prices as of 1 Dec '23, ranging from -8.26% (Dexlite) to -8.73% (Pertamina Dex) and a stabilizing Rupiah within the range of IDR15400 to 15600 per USD, we anticipate that inflation by the end of 2023 will hover around 0.5% MoM or 2.7% YoY.

Fig 1. CPI (Consumer or Headline) Inflation



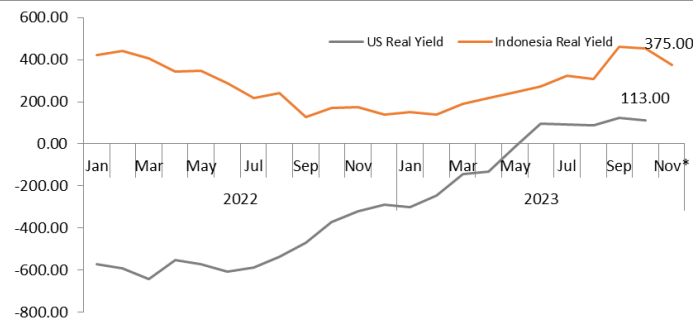
Sources: Bloomberg, KBVS Research - treated (2023)

Fig 2. WPI (Wholesale) Inflation



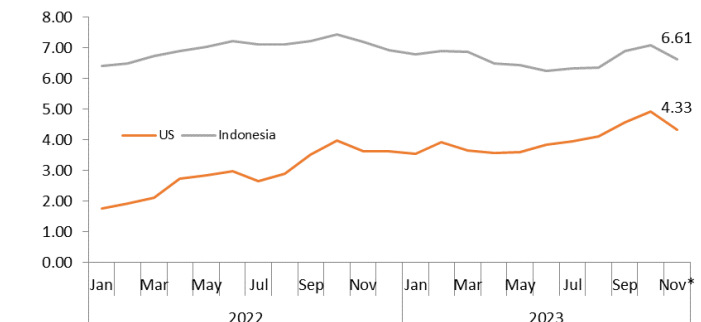
Sources: Bloomberg, KBVS Research - treated (2023)

Fig 3. Real Yield US vs Indonesia (in bps)



Sources: Bloomberg, KBVS Research - treated (2023)

Fig 4. Yield of 10Yr Government Bond (in %)



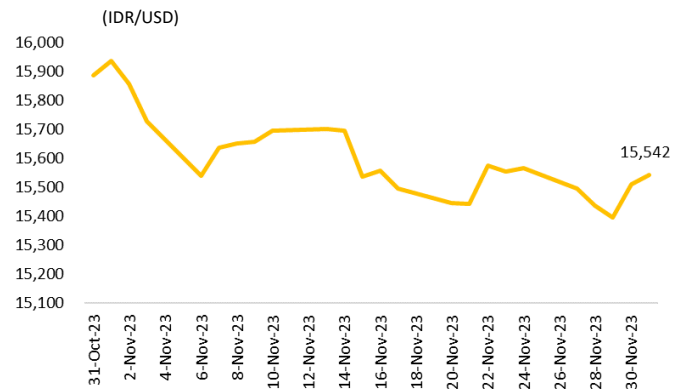
Sources: Bloomberg, KBVS Research - treated (2023)

Fig 5. PMI Manufacturing



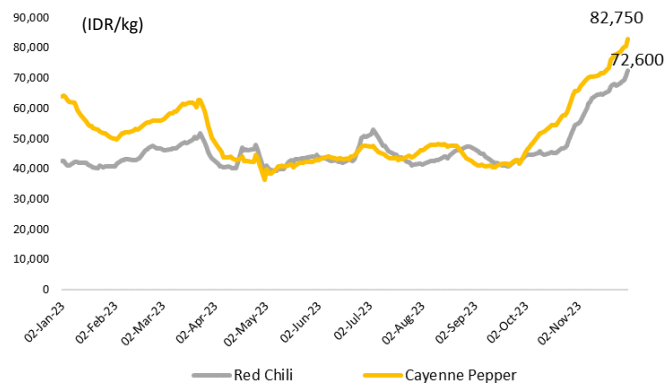
Sources: Market Economics, KBVS Research - treated (2023)

Fig 6. USD/IDR



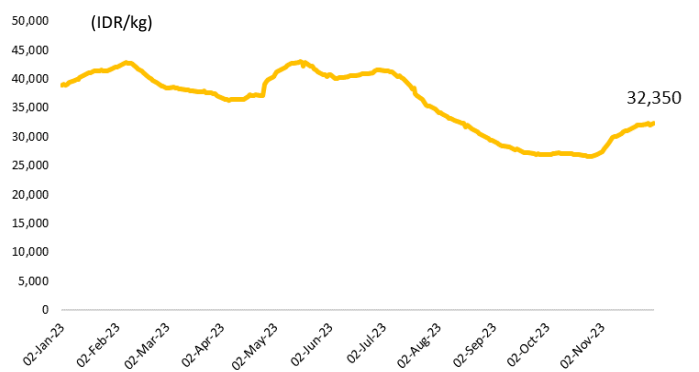
Sources: Investing, KBVS Research - treated (2023)

Fig 7. Chili Price



Sources: BI, KBVS Research - treated (2023)

Fig 8. Red Onion Price



Sources: BI - treated (2023)

Table 1. CPI, WPI & Farmer Exchange Rate as of 2 October 2023

| Indicators | Index | | Inflation | |
|---|---------------|---------------|--------------|---------------|
| | Latest | M-1 | Mom | Yoy |
| Consumer Price Index (CPI) | 116.08 | 115.64 | 0.38% | 2.86% |
| Food, Beverages, and Tobacco | 123.78 | 122.27 | 1.23% | 6.71% |
| Clothing and Footwear | 109.13 | 109.17 | -0.04% | 0.69% |
| Housing, Water, Electricity, and Household Fuels | 108.07 | 108.03 | 0.04% | 1.12% |
| Equipment, Tools, and Routine Household Maintenance | 115.58 | 115.62 | -0.03% | 1.63% |
| Health | 114.89 | 114.65 | 0.21% | 2.04% |
| Transport | 121.59 | 121.50 | 0.07% | 1.27% |
| Info, Comm. and Financial Services | 99.77 | 99.79 | -0.02% | 0.07% |
| Recreation, Sport and Culture | 109.50 | 109.39 | 0.10% | 1.38% |
| Education Services | 114.67 | 114.66 | 0.01% | 1.98% |
| Food and Beverages Services/Restaurants | 117.79 | 117.71 | 0.07% | 2.18% |
| Personal Care and Other Services | 124.44 | 123.79 | 0.53% | 3.76% |
| Core inflation | 113.05 | 112.92 | 0.12% | 1.87% |
| Administered Price | 120.98 | 120.88 | 0.08% | 2.07% |
| Volatile Food | 122.75 | 120.68 | 1.72% | 7.59% |
| Wholesale Price Index (WPI) | 117.03 | 112.72 | 3.82% | 3.55% |
| Agriculture | 110.95 | 102.62 | 8.12% | 7.67% |
| Mining and Quarrying | 123.75 | 121.63 | 1.03% | 1.37% |
| Manufacturing | 118.45 | 115.09 | 0.46% | 2.68% |
| Farmer Exchange Rate | 116.73 | 115.78 | 0.82% | 10.74% |
| Farmer Price Received Index | 138.75 | 136.19 | 1.88% | 17.69% |
| Farmer Price Paid Index | 118.33 | 117.64 | 0.59% | 5.80% |

Sources: BPS, KBVS Research - treated (2023)

Table 2. Commodity Price In Traditional Market

| No. | Commodity | Price (Rp per Kg) | | | | | Monthly Price Change (%, ptp) |
|-------------|---------------------------------|----------------------|----------------|----------------|----------------|----------------|----------------------------------|
| | | 01/11/ 2023 | 07/11/ 2023 | 14/11/ 2023 | 21/11/ 2023 | 30/11/ 2023 | |
| I | Rice | 14,650 | 14,650 | 14,650 | 14,650 | 14,650 | 0.00% |
| 1 | Lower Quality Rice I | 13,500 | 13,500 | 13,500 | 13,550 | 13,550 | 0.37% |
| 2 | Lower Quality Rice II | 13,400 | 13,400 | 13,450 | 13,450 | 13,450 | 0.37% |
| 3 | Medium Quality Rice I | 14,700 | 14,700 | 14,700 | 14,700 | 14,700 | 0.00% |
| 4 | Medium Quality Rice II | 14,450 | 14,500 | 14,500 | 14,500 | 14,450 | 0.00% |
| 5 | Super Quality Rice I | 15,950 | 15,950 | 15,950 | 15,950 | 15,900 | -0.31% |
| 6 | Super Quality Rice II | 15,450 | 15,450 | 15,450 | 15,450 | 15,450 | 0.00% |
| II | Chicken meat | 35,550 | 35,450 | 35,650 | 35,450 | 34,750 | -2.25% |
| 1 | Fresh Race Chicken Meat | 35,550 | 35,450 | 35,650 | 35,450 | 34,750 | -2.25% |
| III | Beef | 134,500 | 134,500 | 134,500 | 134,500 | 134,250 | -0.19% |
| 1 | Quality 1 Beef | 138,000 | 138,000 | 138,000 | 138,000 | 138,200 | 0.14% |
| 2 | Quality 2 Beef | 129,150 | 129,100 | 129,100 | 129,150 | 128,350 | -0.62% |
| IV | Chicken eggs | 28,450 | 28,600 | 28,800 | 28,950 | 29,200 | 2.64% |
| 1 | Fresh Chicken Eggs | 28,450 | 28,600 | 28,800 | 28,950 | 29,200 | 2.64% |
| V | Red onion | 27,250 | 29,300 | 30,750 | 31,750 | 32,200 | 18.17% |
| 1 | Medium Shallot | 27,250 | 29,300 | 30,750 | 31,750 | 32,200 | 18.17% |
| VI | Garlic | 37,950 | 37,850 | 37,700 | 37,500 | 37,400 | -1.45% |
| 1 | Medium Size Garlic | 37,950 | 37,850 | 37,700 | 37,500 | 37,400 | -1.45% |
| VII | Red chili pepper | 54,600 | 60,350 | 64,400 | 67,000 | 70,600 | 29.30% |
| 1 | Large Red Chili | 49,150 | 54,950 | 60,400 | 63,950 | 70,550 | 43.54% |
| 2 | Curly Red Chili | 57,600 | 63,350 | 66,150 | 68,050 | 70,550 | 22.48% |
| VIII | Cayenne pepper | 65,650 | 69,650 | 71,000 | 76,000 | 80,600 | 22.77% |
| 1 | Green Cayenne Pepper | 55,650 | 60,100 | 62,150 | 64,650 | 66,050 | 18.69% |
| 2 | Red Cayenne Pepper | 74,950 | 77,600 | 78,400 | 85,950 | 92,900 | 23.95% |
| IX | Cooking oil | 18,800 | 18,800 | 18,800 | 18,800 | 18,850 | 0.27% |
| 1 | Bulk Cooking Oil | 15,250 | 15,250 | 15,250 | 15,250 | 15,300 | 0.33% |
| 2 | Branded Packaging Cooking Oil 1 | 20,900 | 20,900 | 20,950 | 20,900 | 20,900 | 0.00% |
| 3 | Branded Packaging Cooking Oil 2 | 19,400 | 19,400 | 19,450 | 19,450 | 19,550 | 0.77% |
| X | Sugar | 16,450 | 16,550 | 16,850 | 17,250 | 17,500 | 6.38% |
| 1 | Premium Quality Sugar | 16,750 | 16,850 | 17,050 | 17,400 | 17,600 | 5.07% |
| 2 | Local Sugar | 16,200 | 16,300 | 16,700 | 17,100 | 17,350 | 7.10% |

Sources: BPS, KBVS Research - treated (2023)

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