

Inflation in Feb '24 continues to be driven by Rice and Chili

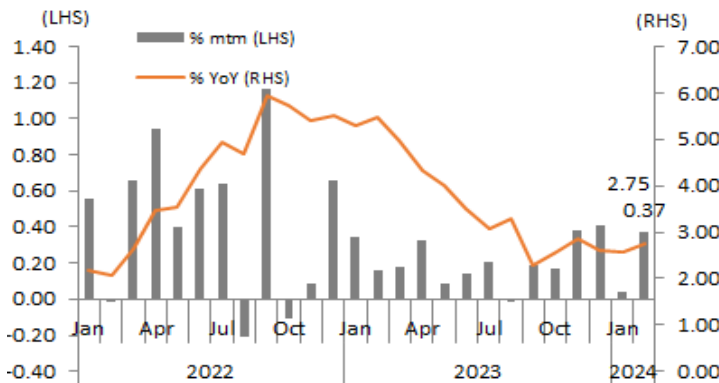
In Feb '24, the CPI inflation rate experienced an increase to 0.27% MoM or 2.75% YoY (Cons: 0.24% MoM or 2.60% YoY, KBVS: 0.23% MoM or 2.37% YoY, Prev: 0.04% MoM or 2.57% YoY). This uptick in prices was primarily propelled by the Food, Beverage, and Tobacco group, particularly Volatile foods (1.53% MoM or 8.47% YoY), such as Rice and Red Chili, which remained as pivotal drivers of inflation in the period. Concurrently, core CPI inflation persisted at 0.14% MoM or 1.68% YoY, alongside Administered Prices at 0.15% MoM or -0.33% YoY.

Furthermore, the domestic increase in rice prices seems to stem from supply constraints. This is evidenced by the realization of paddy field area in 2023 decreasing by -2.29% YoY, reaching only 10.21 Mn ha (prev: 10.45 mn Ha), and rice production declining by -1.39% YoY, reaching only 31.10 Mn tons (prev: 31.54 Mn tons) throughout 2023. Expectations for paddy field area between Jan and Apr '24, as estimated by BPS, are anticipated to decrease by -16.48% YoY, reaching only 3.53 Mn Ha (prev: 4.21 Mn Ha), with potential rice production decline in Jan to Apr '24 by -17.52% YoY, reaching only 10.71 Mn Tons (prev: 12.98 Mn Tons). Moreover, with the possibility of increased consumption during Ramadan, we are concerned that rice prices may continue to rise. However, with an additional 1.6 Mn tons of rice imports in 2024, totaling 3.6 Mn tons, the increase in rice prices is expected to be better contained, although global rice prices have risen by 1.77% ytd (as of 29 Feb '24) per ton, along with a 1.79% depreciation of the JSDOR Rupiah during the same period.

On the other hand, the sustained level of 52.7 for the Nikkei Manufacturing PMI Indonesia in Feb '24 (Prev: 52.9) is perceived as a positive signal following the smooth conduct of the recent election. Additionally, with China's Caixin Manufacturing PMI rising to 50.9 in Feb '24 (cons: 50.7, Prev: 50.8), it is expected to further drive improvements in the trade surplus and alleviate concerns regarding the current account deficit, which has persisted since 3Q23.

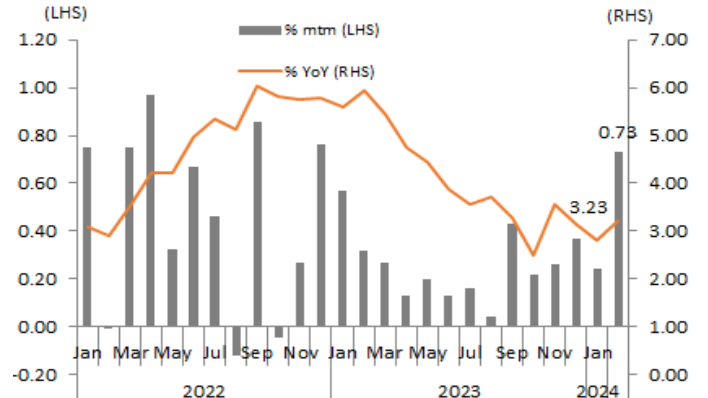
In March 2024, concerns regarding the increase in rice and chili prices still need to be monitored, alongside the upward trends in Broiler Chicken Meat and Cooking Oil prices, especially with the onset of the Ramadan season in the second week of Mar '24. Nonetheless, the possibility of monthly deflation in the Information and Communication Equipment sector (-1.28% MoM) may not materialize in Mar '24, given the ongoing potential for Rupiah depreciation.

Fig 1. CPI (Consumer or Headline) Inflation



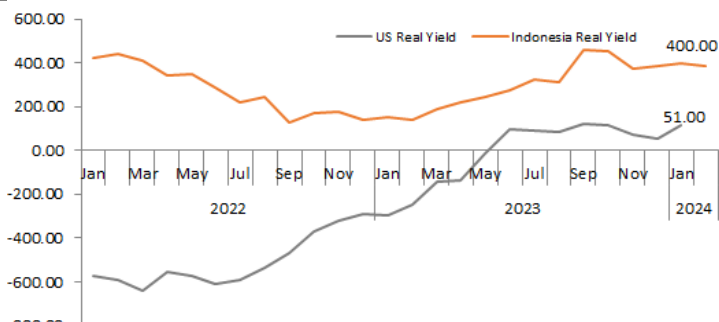
Sources: Bloomberg, KBVS Research - treated (2024)

Fig 2. WPI (Wholesale) Inflation



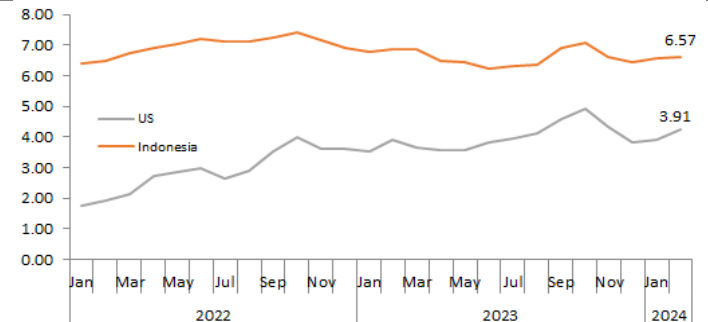
Sources: Bloomberg, KBVS Research - treated (2024)

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



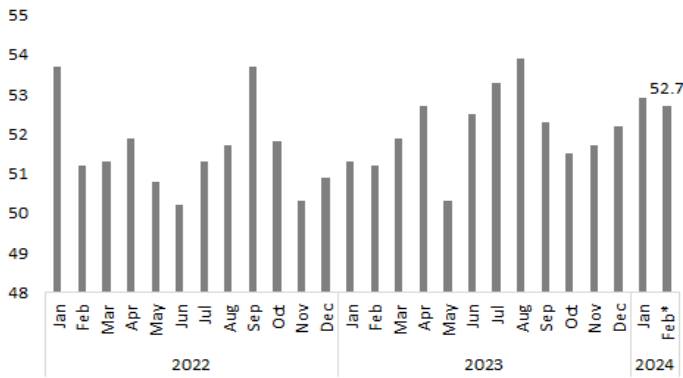
Sources: Bloomberg, KBVS Research - treated (2024)

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



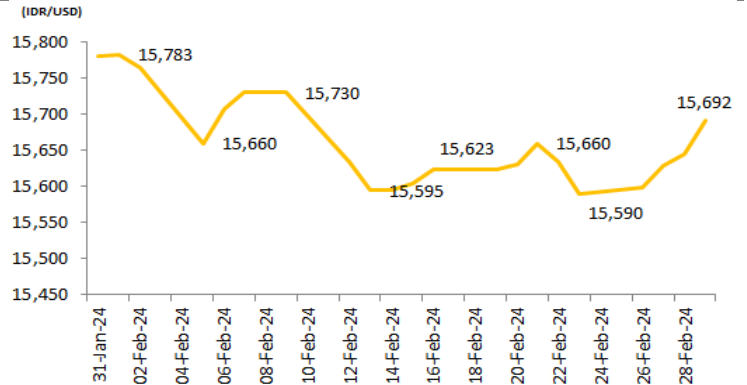
Sources: Bloomberg, KBVS Research - treated (2024)

Fig 5. PMI Manufacturing



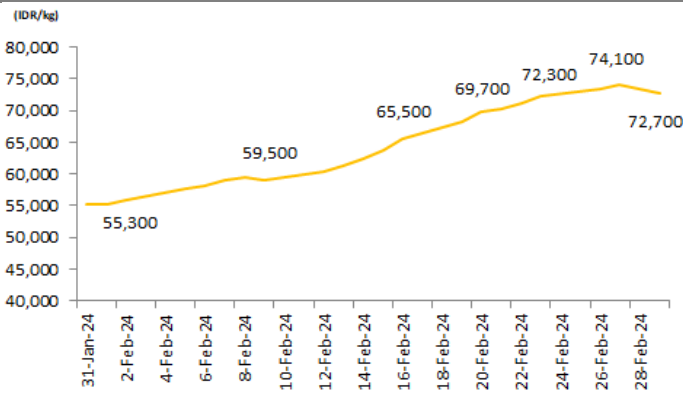
Sources: Market Economics, KBVS Research - treated (2024)

Fig 6. USD/IDR



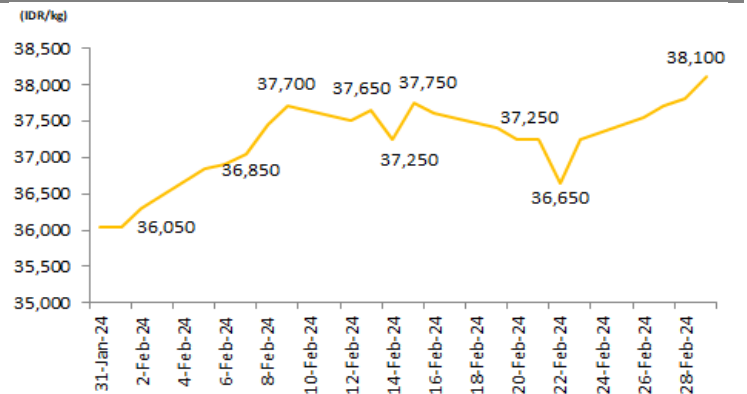
Sources: Investing, KBVS Research - treated (2024)

Fig 7. Chili Price



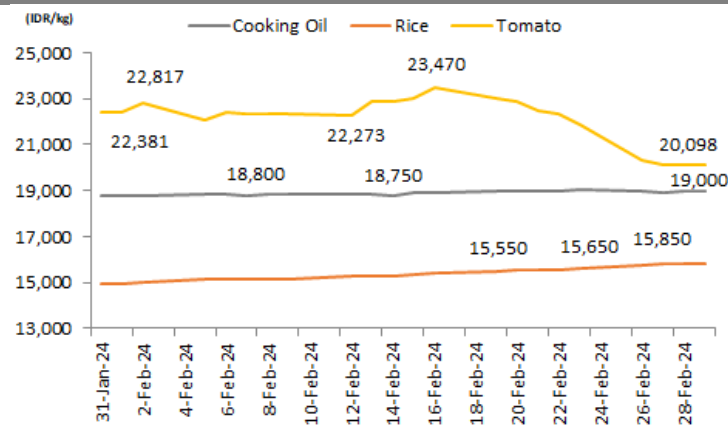
Sources: BI, KBVS Research - treated (2024)

Fig 8. Chicken Meat Price



Sources: BI - treated (2024)

Fig 9. Rice, Tomato and Cooking Oil Price



Sources: Jakarta Pangan, KBVS Research - treated (2024)

Table 1. CPI, WPI & Farmer Exchange Rate Feb '24

Indicators	Index		Inflation	
	Latest	M-1	MoM	YoY
Consumer Price Index (CPI)	105.58	105.19	0.37%	2.75%
Food, Beverages, and Tobacco	109.63	108.54	1.00%	5.72%
Clothing and Footwear	102.28	102.21	0.07%	0.90%
Housing, Water, Electricity, and Household Fuels	102.20	102.14	0.06%	0.57%
Equipment, Tools, and Routine Household Maintenance	102.96	102.84	0.12%	1.13%
Health	103.39	103.16	0.22%	1.95%
Transport	109.04	108.85	0.17%	1.40%
Info, Comm. and Financial Services	99.67	99.70	-0.03%	-0.13%
Recreation, Sport and Culture	103.41	103.32	0.09%	1.68%
Education Services	102.97	102.95	0.02%	1.55%
Food and Beverages Services/Restaurants	104.56	104.38	0.17%	2.38%
Personal Care and Other Services	106.40	106.18	0.21%	3.09%
Core inflation	103.37	103.23	0.14%	1.68%
Administered Price	107.83	107.67	0.15%	1.67%
Volatile Food	111.96	110.27	1.53%	8.47%
Wholesale Price Index (WPI)	118.60	117.74	0.73%	3.23%
Agriculture	114.64	113.16	1.31%	7.15%
Mining and Quarrying	125.36	125.19	1.03%	0.62%
Manufacturing	119.5	118.78	0.46%	2.38%
Farmer Exchange Rate	120.97	118.27	2.28%	14.25%
Farmers Price Received Index	144.96	140.89	2.89%	18.83%
Farmers Price Paid Index	119.83	119.12	0.60%	4.01%

Sources: BPS, KBVS Research - treated (2024)

Table 2. Commodity Price In Traditional Market

No.	Commodity	Price (Rp per Kg)					Monthly Price Change (% ptp)
		31/ 01/ 2024	07/ 02/2024	14/ 02/ 2024	21/ 02/ 2024	29/ 02/ 2024	
I	Rice	14,950	15,150	15,300	15,550	15,800	5.69%
1	Lower Quality Rice I	13,850	14,000	14,200	14,350	14,550	5.05%
2	Lower Quality Rice II	13,600	13,850	14,050	14,150	14,350	5.51%
3	Medium Quality Rice I	14,950	15,150	15,200	15,600	15,850	6.02%
4	Medium Quality Rice II	14,800	15,050	15,100	15,500	15,700	6.08%
5	Super Quality Rice I	16,300	16,500	16,600	16,950	17,200	5.52%
6	Super Quality Rice II	15,800	16,050	16,100	16,450	16,650	5.38%
II	Chicken meat	36,050	37,050	37,250	37,250	37,800	4.85%
1	Fresh Race Chicken Meat	36,050	37,050	37,250	37,250	37,800	4.85%
III	Beef	134,500	134,600	135,150	134,550	134,600	0.07%
1	Quality 1 Beef	138,050	138,250	137,700	138,100	138,150	0.07%
2	Quality 2 Beef	129,100	129,100	130,800	129,200	129,200	0.08%
IV	Chicken eggs	29,000	28,950	28,950	29,950	31,000	6.90%
1	Fresh Chicken Eggs	29,000	28,950	28,950	29,950	31,000	6.90%
V	Red onion	38,500	37,400	36,200	37,400	37,350	-2.99%
1	Medium Shallot	38,500	37,400	36,200	37,400	37,350	-2.99%
VI	Garlic	41,150	40,600	39,900	40,850	40,800	-0.85%
1	Medium Size Garlic	41,150	40,600	39,900	40,850	40,800	-0.85%
VII	Red chili pepper	55,300	59,100	62,500	70,250	73,300	32.55%
1	Large Red Chili	62,800	66,300	70,750	73,700	76,800	22.29%
2	Curly Red Chili	52,150	56,250	59,050	68,950	70,950	36.05%
VIII	Cayenne pepper	44,950	45,700	47,150	63,150	61,100	35.93%
1	Green Cayenne Pepper	42,400	43,550	42,650	53,900	52,450	23.70%
2	Red Cayenne Pepper	45,950	47,050	50,950	72,050	69,200	50.60%
IX	Cooking oil	18,800	18,800	18,750	18,950	19,000	1.06%
1	Bulk Cooking Oil	15,700	15,850	15,750	16,100	16,250	3.50%
2	Branded Packaging Cooking Oil 1	20,700	20,650	20,650	20,750	20,750	0.24%
3	Branded Packaging Cooking Oil 2	19,300	19,250	19,200	19,300	19,350	0.26%
X	Sugar	17,850	17,850	17,850	17,900	17,950	0.56%
1	Premium Quality Sugar	18,150	18,150	18,250	18,250	18,300	0.83%
2	Local Sugar	17,550	17,550	17,600	17,600	17,650	0.57%

Sources: BPS, KBVS Research - treated (2024)

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