

Deflation Continues for Five Consecutive Months

In Sep 2024, the headline CPI inflation rate recorded -0.12% MoM or 1.84% YoY (Cons: -0.03% MoM or 2.00% YoY, KBVS: -0.05% MoM or 2.00% YoY, Prev: -0.03% MoM or 2.12% YoY), indicating monthly deflation for the fifth consecutive month.

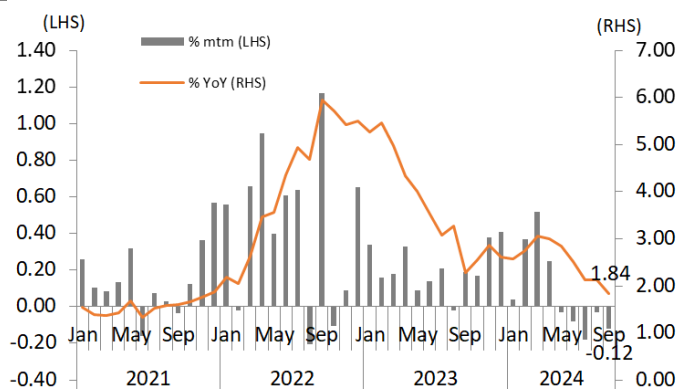
The Volatile Foods group was the largest contributor to this deflation, dropping by -1.34% MoM, primarily driven by significant price declines in red chili peppers (-18.18% MoM) and cayenne peppers (-6.51% MoM). Harvests in several regions, including cayenne peppers from Tuban, Malang, Blitar, and Pasuruan Regencies, as well as red chili peppers from Lumajang, Kediri, Malang, Bojonegoro, and Banyuwangi Regencies, had a substantial impact on this outcome. This deflationary trend was also supported by the Foodstuffs group, which posted a -0.59% MoM decline.

Additionally, deflation occurred in the Administered Price component, registering -0.04% MoM in Sep '24. This was largely due to the Energy Component's deflation of -0.31% MoM, following the adjustment of non-subsidized fuel prices as of Sep 1, '24, driven by the simultaneous decline in global oil prices. Non-subsidized fuel price reductions in Java, Bali, Nusa Tenggara, and Aceh saw Pertamina drop to IDR12,950 per liter (Prev: IDR13,700 per liter), Pertamina Turbo to IDR14,475 per liter (Prev: IDR15,400 per liter), and Dexcelite to IDR 14,050 per liter (Prev: IDR15,350 per liter).

However, we also anticipate that the ongoing deflation for five consecutive months is accompanied by a decline in urban middle-class purchasing power. This is likely driven by an increasing wallet share allocated to components classified under core inflation, while deflation occurs in the volatile and administered components, which can be categorized as secondary and tertiary expenditures. Durable goods purchases, particularly vehicle sales, experienced a significant decline of -17.1% YoY during the Jan-Aug '24 period. On the supply side, S&P Global's Indonesia Manufacturing PMI in Sep '24 showed a contraction, rising slightly to 49.2 (Prev: 48.9), reflecting three consecutive months of declines in Output and New Orders. On the other hand, rural purchasing power showed improvement, indicated by the farmer's exchange rate in Sep '24, which increased by 0.38% MoM and 5.40% YoY.

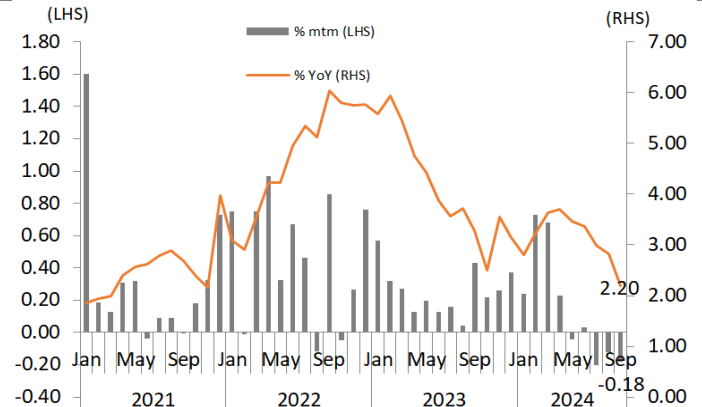
Looking ahead, we expect further deflation, supported by lower prices of non-subsidized fuel as of Oct 1, '24, and the resumption of India's non-Basmati rice exports at a price of IDR 7,411 per kg, while the average price of lower quality rice in Indonesia stood at IDR 13,850 per kg as of Oct 1, '24. This deflationary moment provides headroom for BI to lower the interest rates along with the fed.

Fig 1. CPI (Consumer or Headline) Inflation



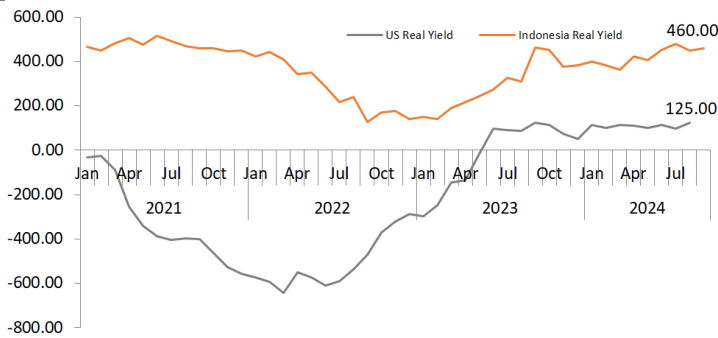
Sources: Bloomberg, KBVS Research – treated (2024)

Fig 2. WPI (Wholesale) Inflation



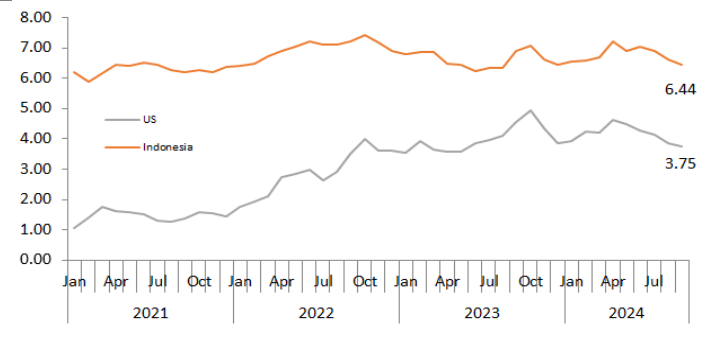
Sources: BPS, KBVS Research – treated (2024)

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



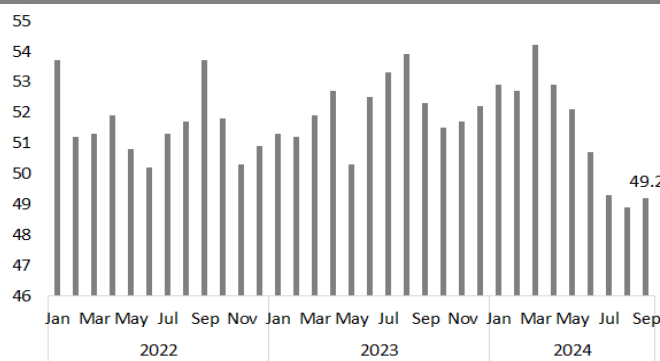
Sources: Bloomberg, KBVS Research – treated (2024)

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



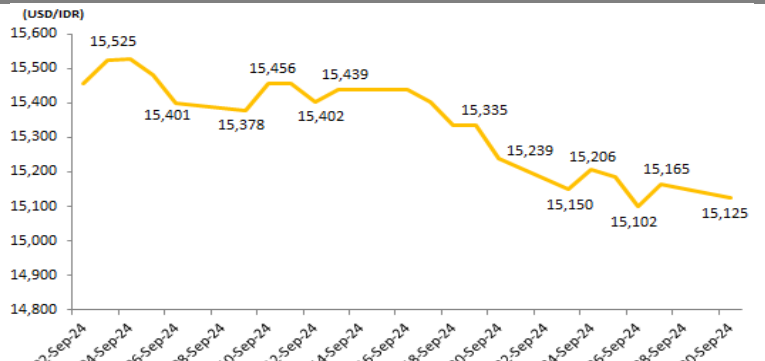
Sources: Bloomberg, KBVS Research – treated (2024)

Fig 5. PMI Manufacturing



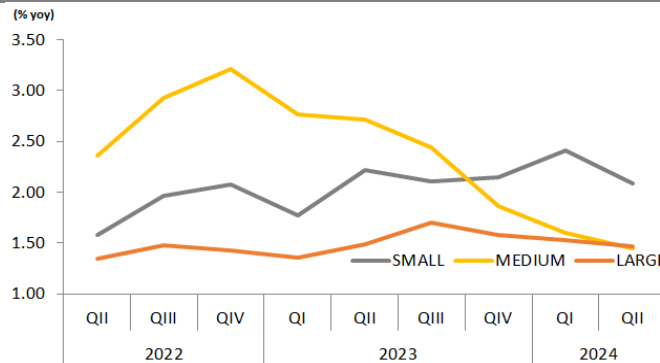
Sources: Market Economics, KBVS Research – treated (2024)

Fig 6. USD/IDR



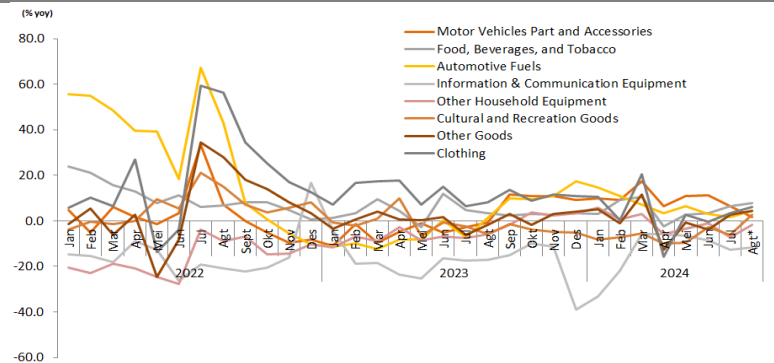
Sources: Bloomberg, KBVS Research – treated (2024)

Fig 7. Residential Property Prices



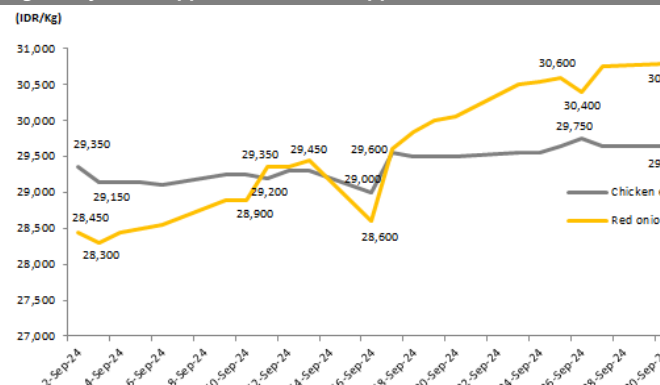
Sources: BI, KBVS Research – treated (2024)

Fig 8. Retail Price Survey



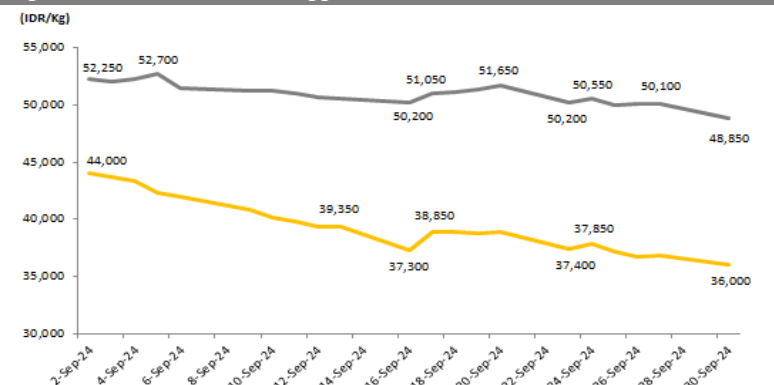
Sources: BI – treated (2024)

Fig 9. Cayenne Pepper & Red Chili Pepper Price



Sources: BI KBVS Research – treated (2024)

Fig 10. Red Onion & Chicken Eggs Price



Sources: BI, KBVS Research – treated (2024)

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

Indicators	Index		Inflation	
	Latest	M-1	MoM	YoY
Consumer Price Index (CPI)	105.93	106.06	-0.12%	1.84%
Food, Beverages, and Tobacco	108.02	108.66	-0.59%	2.57%
Clothing and Footwear	103.21	103.16	0.05%	1.18%
Housing, Water, Electricity, and Household Fuels	102.47	102.43	0.04%	0.60%
Equipment, Tools, and Routine Household Maintenance	103.75	103.63	0.12%	1.08%
Health	103.96	103.92	0.04%	1.69%
Transport	109.90	110.08	-0.16%	0.92%
Info, Comm. and Financial Services	99.53	99.54	-0.01%	-0.28%
Recreation, Sport and Culture	104.07	104.02	0.05%	1.55%
Education Services	104.83	104.53	0.29%	1.94%
Food and Beverages Services/Restaurants	106.02	105.88	0.13%	2.25%
Personal Care and Other Services	111.15	110.73	0.38%	6.25%
Core inflation	104.76	104.59	0.16%	2.09%
Administered Price	108.91	108.95	-0.04%	1.40%
Volatile Food	107.16	108.61	-1.34%	1.43%
Wholesale Price Index (WPI)	119.03	119.24	-0.18%	2.20%
Agriculture	111.75	113.46	-1.51%	2.14%
Mining and Quarrying	125.70	125.31	0.31%	0.88%
Manufacturing	120.74	120.59	0.12%	2.23%
Farmer Exchange Rate	120.30	119.85	0.38%	5.40%
Farmers Price Received Index	145.01	144.73	0.19%	8.25%
Farmers Price Paid Index	120.54	120.76	-0.18%	2.71%

Sources: BPS, KBVS Research - treated (2024)

Table 2. Commodity Price In Traditional Market

No.	Commodity	Price (Rp per Kg)					Monthly Price Change (%, ptp)
		31/ 08/ 2024	06/ 09/2024	13/ 09/ 2024	20/ 09/ 2024	30/ 09/ 2024	
I	Rice	15,300	15,350	15,150	15,300	15,300	0.00%
1	Lower Quality Rice I	14,050	14,050	13,950	14,050	14,050	0.00%
2	Lower Quality Rice II	13,850	13,850	13,750	13,850	13,850	0.00%
3	Medium Quality Rice I	15,400	15,400	15,250	15,350	15,400	0.00%
4	Medium Quality Rice II	15,350	15,350	15,050	15,300	15,350	0.00%
5	Super Quality Rice I	16,850	16,850	16,400	16,700	16,750	-0.59%
6	Super Quality Rice II	16,300	16,300	16,050	16,250	16,300	0.00%
II	Chicken meat	34,950	34,950	34,350	35,150	35,200	0.72%
1	Fresh Race Chicken Meat	35,200	34,950	34,350	35,150	35,200	0.00%
III	Beef	134,950	135,350	134,900	134,900	135,450	0.37%
1	Quality 1 Beef	138,900	138,950	138,750	138,300	138,950	0.04%
2	Quality 2 Beef	129,950	129,950	129,200	129,650	130,300	0.27%
IV	Chicken eggs	29,350	29,250	29,000	29,550	29,650	1.02%
1	Fresh Chicken Eggs	29,300	29,250	29,000	29,550	29,650	1.19%
V	Red onion	28,450	28,900	28,600	30,500	30,800	8.26%
1	Medium Shallot	28,250	28,900	28,600	30,500	30,800	9.03%
VI	Garlic	42,100	42,050	41,850	42,250	42,150	0.12%
1	Medium Size Garlic	42,000	42,050	41,850	42,250	42,150	0.36%
VII	Red chili pepper	44,000	40,850	37,300	37,400	36,000	-18.18%
1	Large Red Chili	42,300	39,950	38,300	36,800	35,450	-16.19%
2	Curly Red Chili	44,200	41,100	36,950	37,550	36,350	-17.76%
VIII	Cayenne pepper	52,250	51,250	50,200	50,200	48,850	-6.51%
1	Green Cayenne Pepper	48,600	47,200	47,300	45,850	44,750	-7.92%
2	Red Cayenne Pepper	52,950	51,550	49,150	51,650	50,450	-4.72%
IX	Cooking oil	19,350	19,350	19,250	19,400	19,400	0.26%
1	Bulk Cooking Oil	17,000	17,100	17,150	17,200	17,250	1.47%
2	Branded Packaging Cooking Oil 1	20,750	20,800	20,550	20,800	20,750	0.00%
3	Branded Packaging Cooking Oil 2	19,600	19,600	19,500	19,600	19,600	0.00%
X	Sugar	18,450	18,450	18,450	18,450	18,500	0.27%
1	Premium Quality Sugar	19,200	19,200	19,150	19,250	19,250	0.26%
2	Local Sugar	17,850	17,850	17,900	17,850	17,900	0.28%

Sources: BI, KBVS Research - treated (2024)

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