

02 August 2024

Macroeconomics Indicator

	2023	2024F	2025P
GDP growth (%YoY)	5.05	5.05	5.23
Inflation (%YoY)	2.61	2.73	3.49
BI rate (% Year-end)	6.00	6.50	6.00
Rp/US\$ (Average)	15,244	16,015	16,218
CA deficit (% of GDP)	-0.1	-0.6	-0.8
Fiscal deficit (% of GDP)	1.65	2.28	2.55

F: forecast, P: preliminary; all baseline scenario

Three consecutive months of mom deflation; BI rate likely held unchanged

- CPI recorded further monthly deflation of -0.18% mom/+2.13% yoy in Jul24 (-0.08% mom/+2.51% yoy in Jun24) mainly from FnB.
- Core CPI edged up to +0.18% mom/+1.95% yoy (+0.1% mom/+1.9% yoy Jul24) mostly from gold jewelry (+0.27% contribution to the CPI).
- We keep our CPI expectation at c.+2.7% in FY24 from more economic activity in 2H24. We expect BI rate to be kept unchanged.

Three consecutive months of mom deflation

Headline CPI recorded further deflation of -0.18% mom/+2.13% yoy in Jul24 (-0.08% mom/+2.51% yoy in Jun24), to make the first historical three consecutive months of mom deflation. The figure was lower than ours and consensus at +0.05% mom/+2.4% yoy. The deflation came from FnB at -0.97% mom/+3.66% yoy (-0.49% mom/+4.95% yoy in Jun24), led by cheaper prices of onion, chicken meat and eggs at -25%/-5%/1.5% mom or -20%/-9.7%/-5.8% yoy. On the contrary, the price of rice and sugar was still high at +13%/+25.4% yoy (+10.3%/+26.2% yoy in Jun24).

Rising education costs

The education price rose by +0.69% mom/+1.9% yoy in Jul24 (+0.01% mom/+1.69% yoy in Jun24) in accordance with the new school year seasonality. The highest education cost increase comes from elementary school at +1.2% YTD (+1.0% in the same period last year) vis-à-vis junior high school/senior high school at +1.1%/+0.8% YTD (+1.2%/+1.1% in the same period last year). We see the increasing education cost may drag household purchasing power, given the limited wage increase potential in FY25 (with the same formula in FY24, our internal estimate of c.+4% in avg for FY25 wage increase).

Core CPI edged-up from gold jewellery

Core inflation edged-up to +0.18% mom/+1.95% yoy in Jul24 (+0.1% mom/+1.9% yoy in Jun24) coming mostly from gold jewelry with 0.27% contribution to the headline CPI. Furthermore, the global gold prices were continuously increasing at +23%/+20%/18% yoy in Jul/Jun/May24. In addition, recreation and restaurants also support the core inflation with +0.29%/+0.11% mom or +1.5%/+2.3% yoy (+0.1% mom each or +1.5%/2.3% yoy in Jun24) see fig. 1.

Expect unchanged BI rate in Aug24

For now, we keep our inflation expectation at c.+2.7% in FY24 (+2.61% yoy in FY23), as we believe more economic activity may arise in 2H24 along with the new government inauguration. In general, we see the inflation to be very benign, therefore we think the BI rate will be held unchanged in Aug meeting. Furthermore, since the Rupiah is still under pressure 8% yoy/+4.7% YTD at Rp16.3k/US\$ in Jul24 (8.1% yoy in Jun24), we believe BI rate increase of 25bp to be imperative for currency stability by the year-end.

Recent dovish stance from the Fed may change BI rate course

Recent press conference from the Fed's suggests the possibility of a FFR rate cut as soon as Sep24. This may have a positive impact on Rupiah as the interest rate parity improves. Combined with the benign inflation, we think the probability of lower BI rate in the 4Q24 is quite high. Nevertheless, we still assess recent inflation dynamics and may review our expectation on the BI rate after more macroeconomic clarity in Aug24.

Luthfi Ridho

PT Indo Premier Sekuritas

luthfi.ridho@ipc.co.id

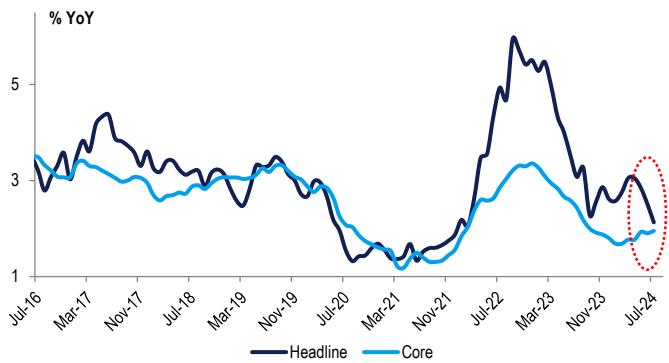
+62 21 5088 7168 ext. 721

Fig. 1: FnB prices declined further

	May-24	Jun-24	Jul-24	May-24	Jun-24	Jul-24	2023	2024
	%MoM			%YoY			% yoy avg	
Consumer Price Index	-0.03	-0.08	-0.18	2.84	2.51	2.13	4.38	2.69
Food, Beverages, Tobacco	-0.29	-0.49	-0.97	6.18	4.95	3.66	4.67	5.92
Clothing & Footwear	-0.04	0.02	0.11	1.10	1.09	0.99	1.38	0.95
Housing, Electricity, Gas and Fuel	0.08	0.04	0.05	0.54	0.47	0.50	2.76	0.53
Household utilities	0.05	0.21	0.12	0.85	0.95	1.05	3.32	1.03
Health	0.04	0.05	0.08	2.06	1.89	1.77	2.72	1.97
Transportation	-0.36	0.11	0.03	1.34	1.02	1.22	11.94	1.20
Information, Communication & Financial Services	-0.05	-0.02	0.00	-0.16	-0.18	-0.16	-0.23	-0.14
Recreation, sports & cultural	0.10	0.09	0.29	1.60	1.50	1.49	2.39	1.59
Education	0.00	0.01	0.69	1.71	1.69	1.90	2.80	1.69
Restaurant	0.26	0.09	0.11	2.51	2.31	2.28	3.72	2.40
Personal Care & Other services	0.87	0.27	0.35	4.99	5.24	5.59	4.84	4.26
By component								
Core	0.17	0.10	0.18	1.93	1.90	1.95	2.83	1.82
Administered	-0.13	0.12	0.11	1.52	1.68	1.47	10.51	1.57
Volatile (Fresh food)	-0.69	-0.98	1.92	8.14	5.96	3.63	3.91	7.63

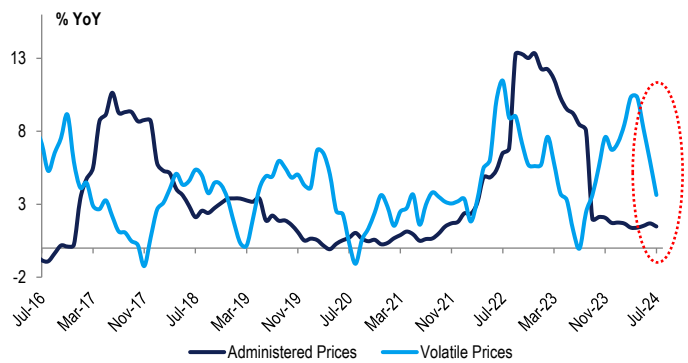
Source: BPS, Indo Premier

Fig. 2: CPI declining, while core relatively increasing



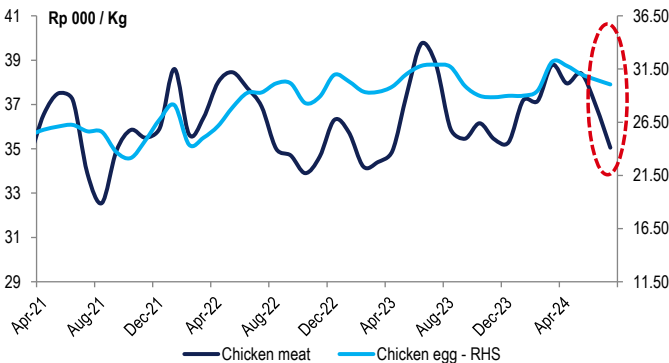
Source: BPS, Indo Premier

Fig. 3: volatile price declining



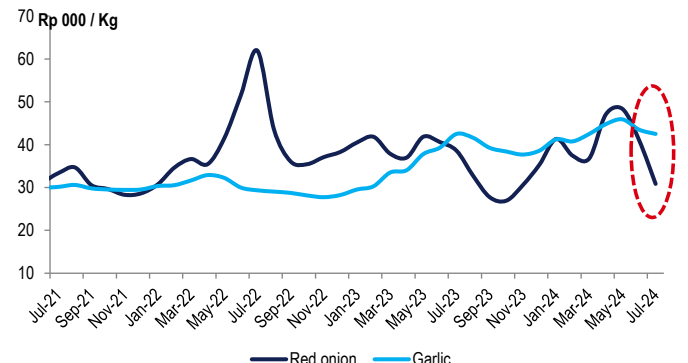
Source: BPS, Indo Premier

Fig. 4: Both chicken meat and eggs declined



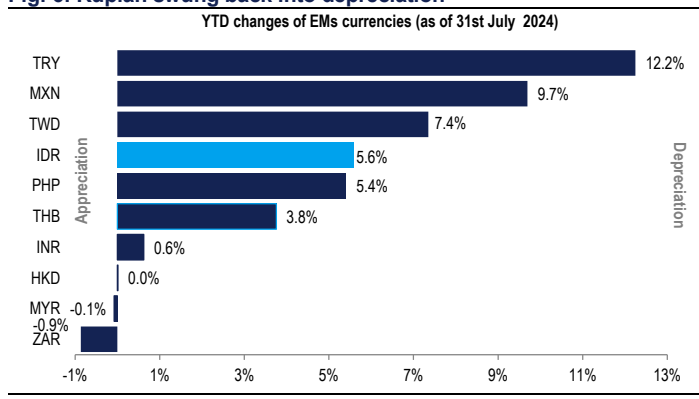
Source: National Strategic Food Price Information Center, Indo Premier

Fig. 5: likewise red onion and garlic



Source: National Strategic Food Price Information Center, Indo Premier

Fig. 6: Rupiah swung back into depreciation



Source: Bloomberg, Indo Premier

ANALYSTS CERTIFICATION

The views expressed in this research report accurately reflect the analyst's personal views about any and all of the subject securities or issuers; and no part of the research analyst's compensation was, is, or will be, directly or indirectly, related to the specific recommendations or views expressed in the report.

DISCLAIMERS

This research is based on information obtained from sources believed to be reliable, but we do not make any representation or warranty nor accept any responsibility or liability as to its accuracy, completeness or correctness. Opinions expressed are subject to change without notice. This document is prepared for general circulation. Any recommendations contained in this document do not have any regard to the specific investment objectives, financial situation and the particular needs of any specific addressee. This document is not and should not be construed as an offer or a solicitation of an offer to purchase or subscribe or sell any securities. PT Indo Premier Sekuritas or its affiliates may seek or will seek investment banking or other business relationships with the companies in this report.