

Macroeconomics Indicator

| | 2023 | 2024F | 2025P |
|---------------------------|--------|--------|--------|
| GDP growth (%YoY) | 5.05 | 5.04 | 5.23 |
| Inflation (%YoY) | 2.61 | 2.10 | 3.16 |
| BI rate (% Year-end) | 6.00 | 5.50 | 4.75 |
| Rp/US\$ (Average) | 15,244 | 15,695 | 15,789 |
| CA deficit (% of GDP) | -0.1 | -0.6 | -1.5 |
| Fiscal deficit (% of GDP) | 1.65 | 2.7 | 2.8 |

F: forecast, P: preliminary; all baseline scenario

The first mom inflation in six months; BI rate cut is still justified

- CPI recorded inflation of +0.08% mom/+1.71% yoy in Oct24 (-0.12% mom/+1.84% yoy in Sep24) mainly from FnB and health prices.
- Core CPI rise to +0.2% mom/+2.2% yoy, supported by gold jewelry and coffee with +0.4% and +0.1% contribution.
- We maintain our inflation expectation at c.+2.1% in FY24 (2.6% in FY23) as we expect economic activity growth to pick-up in 4Q24.

Higher FnB prices led by chicken meat

Headline CPI recorded inflation of +0.08% mom/+1.71% yoy in Oct24 (-0.12% mom/+1.84% yoy in Sep24), a tad higher than consensus at +0.02% mom/+1.66% yoy but roughly aligned with ours at +0.11% mom/+1.96% yoy. This was the first monthly inflation in 6 months, but not a tangible indication of purchasing power recovery since the figure was considerably low in our view. Concurrently, the CPI was contributed from health costs at +0.15% mom/+1.71% yoy and FnB prices at +0.1% mom/+2.4% yoy as the price of onion and chicken meat rose the most by +10.7%/+7.2% mom or +27%/+4.4% yoy. In addition, our channel check on the chicken meat prices suggested that the supply of chicken meat was affected by massive parent-stock (PS) culling in 3Q24. Hence, we see the chicken price may rise further in 4Q24 (see our poultry report [here](#)).

Still decelerating non-subsidized fuel costs

Transportation prices recorded the steepest drop among other categories at -0.52% mom/-0.08% yoy (-0.16% mom/+0.92% yoy in Sep24, largely due to additional cuts in non-subsidized fuel prices (Pertamax, Pertamina Green, Pertamina Dex, and Dexlite) by Rp800 to Rp1.450 or -5% to -9%, bringing the total drop to -10% to -15% over the last two months. This drop aligns with WTI/Brent prices, which dropped by -16.3%/-15% yoy in Oct24 (-22.4%/-21.2% yoy in Sep24). Despite recent geopolitical tensions, oil prices seem to be relatively stable, indicating a stable inflation outlook in the near future.

Core CPI surged from rising gold jewelry price

Core CPI rose to +0.22% mom/+2.21% yoy in Oct24 (+0.16% mom/+2.1% yoy in Sep24), surpassing headline CPI amid weaker administered and volatile prices at -0.25%/-0.11% mom or +0.77%/+0.89% yoy (-0.04%/-1.34% mom or +1.4%/+1.43% yoy in Sep24) – see fig. 4. The increase in core CPI was primarily driven by gold jewellery, contributing the most to headline CPI at +0.4%, align with persistent increase of gold price at 4.2% mom/38.3% yoy in Oct24. Other core CPI such as household utilities decelerated to +0.06% mom/+1.1% yoy (+0.12% mom/+1.1% yoy in Sep24).

Further BI rate cut still justified but contingent on Fed meeting

Overall, we see the inflation figure to be benign and soft. We believe further BI rate cut by 25bp in Nov24 meetings to be justified. However, we believe the Fed meeting in 6-7th Nov will have influence on BI's decision in 19-20th Nov. Consensus views the Fed will cut the FFR by 25bp. If happen, we see similar decision on the BI rate as the downward adjustment may stimulate economic activity without sacrificing the Rupiah stability. For now, we keep our inflation expectation to be at c.2.1% in FY24 (+2.61% yoy in FY23), as we believe a higher economic activity growth may happen in 4Q24.

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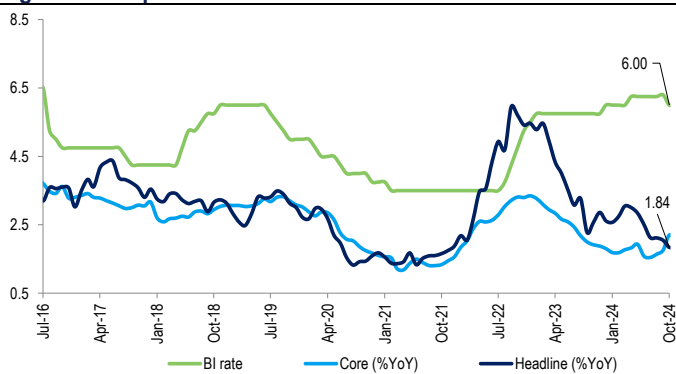
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Fig. 1: Monthly inflation coming from higher personal care (gold) and FnB prices

| | Aug-24 | Sep-24 | Oct-24 | Aug-24 | Sep-24 | Oct-24 | 2023 | 2024 |
|---|--------|--------|--------|--------|--------|--------|----------|-------|
| | %MoM | | | %YoY | | | %yoy avg | |
| Consumer Price Index | -0.03 | -0.12 | 0.08 | 2.12 | 1.84 | 1.71 | 4.24 | 2.45 |
| Food, Beverages, Tobacco | -0.52 | -0.59 | 0.09 | 3.39 | 2.57 | 2.35 | 4.53 | 4.98 |
| Clothing & Footw ear | 0.09 | 0.05 | 0.05 | 1.19 | 1.18 | 1.20 | 1.35 | 1.02 |
| Housing, Electricity, Gas and Fuel | 0.03 | 0.04 | 0.08 | 0.57 | 0.60 | 0.60 | 2.59 | 0.55 |
| Household utilities | 0.04 | 0.12 | 0.06 | 1.05 | 1.08 | 1.08 | 3.19 | 1.04 |
| Health | 0.07 | 0.04 | 0.15 | 1.72 | 1.69 | 1.71 | 2.71 | 1.89 |
| Transportation | 0.22 | -0.16 | -0.52 | 1.42 | 0.92 | -0.08 | 11.65 | 1.13 |
| Information, Communication & Financial Services | -0.02 | -0.01 | -0.03 | -0.16 | -0.28 | -0.28 | -0.23 | -0.17 |
| Recreation, sports & cultural | 0.04 | 0.05 | 0.05 | 1.52 | 1.55 | 1.53 | 2.33 | 1.58 |
| Education | 0.65 | 0.29 | 0.04 | 1.83 | 1.94 | 1.90 | 2.71 | 1.75 |
| Restaurant | 0.11 | 0.13 | 0.25 | 2.24 | 2.25 | 2.36 | 3.62 | 2.37 |
| Personal Care & Other services | 0.50 | 0.38 | 0.94 | 6.04 | 6.25 | 7.06 | 4.71 | 4.91 |
| By component | | | | | | | | |
| Core | 0.20 | 0.16 | 0.22 | 2.02 | 2.09 | 2.21 | 2.75 | 1.91 |
| Administered | 0.23 | -0.04 | -0.25 | 1.68 | 1.40 | 0.77 | 10.20 | 1.48 |
| Volatile (Fresh food) | -1.24 | -1.34 | -0.11 | 3.04 | 1.43 | 0.89 | 3.72 | 5.87 |

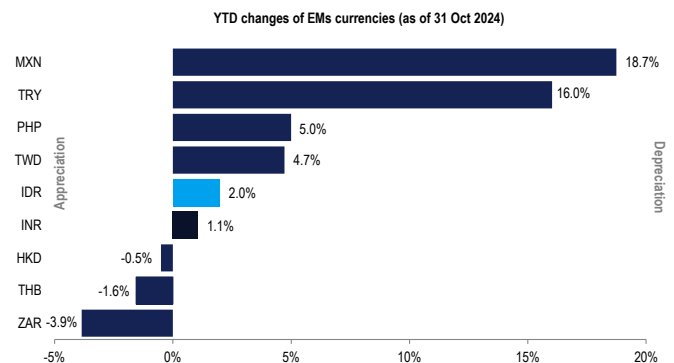
Source: BPS, Indo Premier

Fig. 2: Still ample room for further rate cut



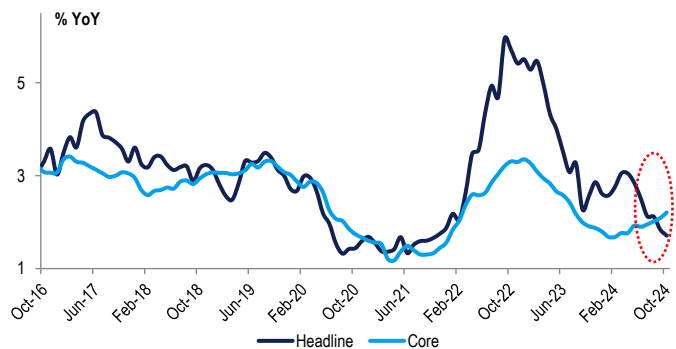
Source: BPS, Indo Premier

Fig. 3: Rupiah reversed back to depreciation in Oct24



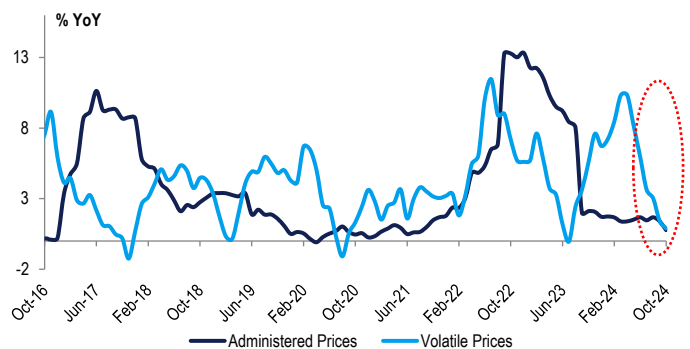
Source: Bloomberg, Indo Premier

Fig. 4: Core CPI increased while headline CPI fell



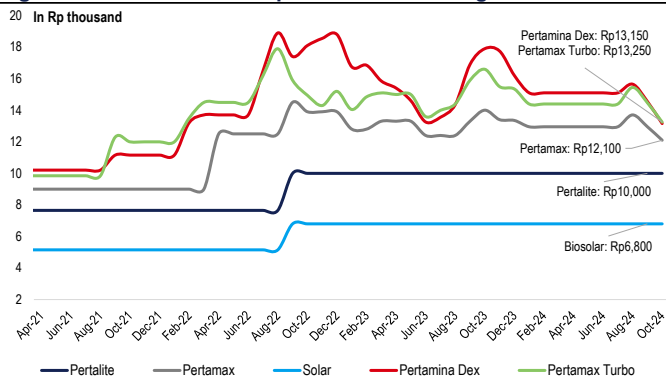
Source: BPS, Indo Premier

Fig. 5: Both volatile and administered prices declines



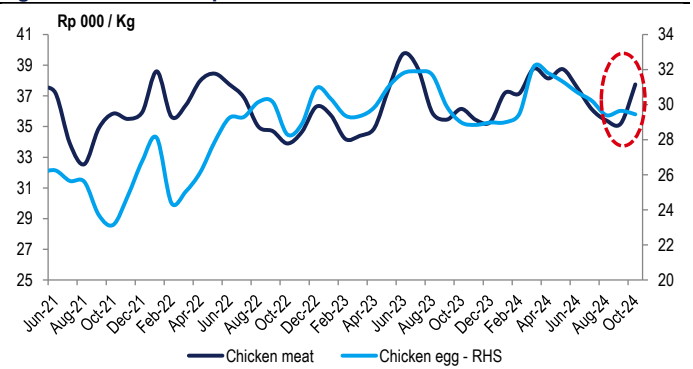
Source: BPS, Indo Premier

Fig. 6: Non-subsidized fuel prices on a declining trend



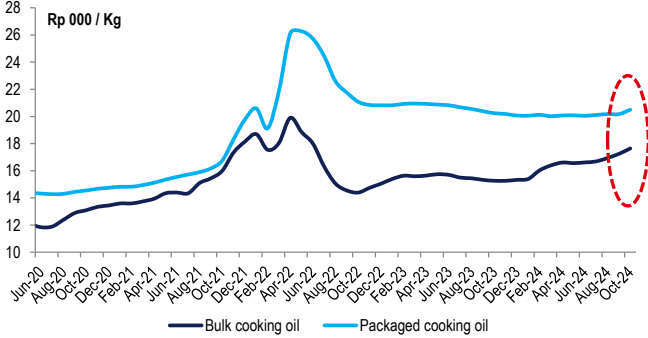
Source: CEIC, Indo Premier

Fig. 7: Chicken meat price started to increase



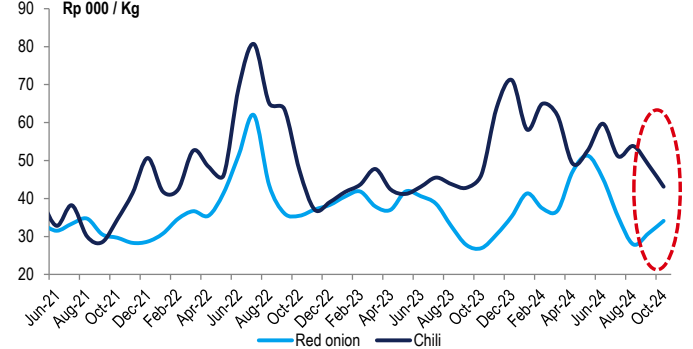
Source: National Strategic Food Price Information Center, Indo Premier

Fig. 8: Cooking oil price gradually rise



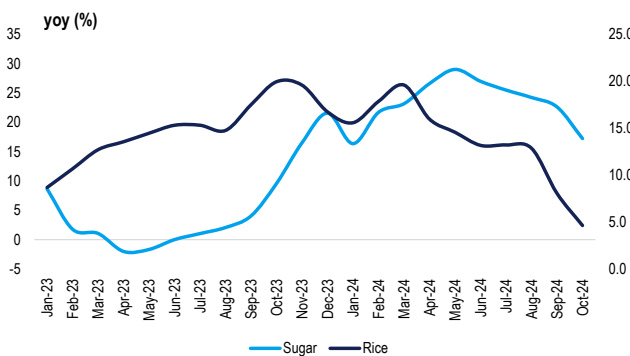
Source: National Strategic Food Price Information Center, Indo Premier

Fig. 9: Also red onion price although chili price still declined



Source: National Strategic Food Price Information Center, Indo Premier

Fig. 10: Sugar and rice price still contracted



Source: BPS, Indo Premier

Fig. 11: Gold price is at all-time high



Source: Bloomberg, Indo Premier

ANALYSTS CERTIFICATION

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