

2024: Indonesia Records the Lowest Annual Inflation in History

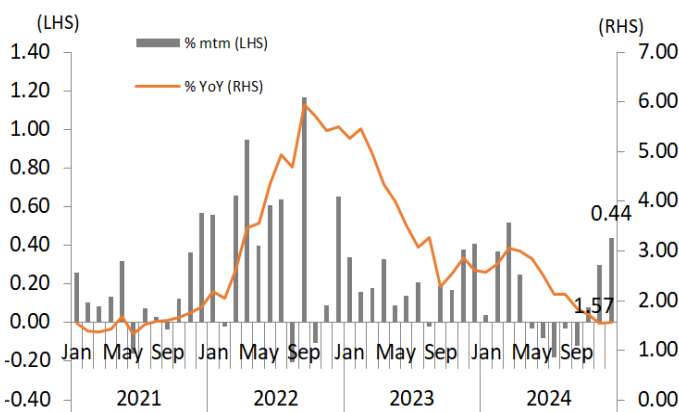
As anticipated, the Dec '24 headline inflation rose to 0.44% MoM or 1.57% YoY (Cons: 0.46% MoM or 1.58% YoY; KBVS: 0.48% MoM or 1.58% YoY; Prev: 0.30% MoM or 1.55% YoY). This increase was primarily driven by a 2.04% MoM or 0.12% YoY rise in volatile food prices, spurred by higher costs of shallots, garlic, red chilies, bird's eye chilies, chicken eggs, and chicken meat. On the other hand, core inflation for the same month aligned with projections at 0.17% MoM or 2.26% YoY (Cons: 2.29% YoY; KBVS: 2.29% YoY; Previous: 2.26% YoY)— see Table 1, p.3. This was counterbalanced by the Administered Price component, which increased only 0.03% MoM or 0.56% YoY, as energy inflation recorded 0.00% MoM and annual deflation of -0.75% YoY.

It is worth noting that the 1.57% YoY headline inflation in 2024 marks Indonesia's lowest annual inflation rate on record since the BPS began measuring inflation in 1979. This figure is lower than the previous record of 1.68% YoY in 2020. However, it also highlights weakened purchasing power throughout 2024.

At the end of the year, this trend coincides with an improvement in Indonesia's Nikkei Manufacturing PMI, which returned to expansion territory at 51.2 (Prev: 49.6), after being in contraction since Jul '24. This marks the first growth in factory activity since Jun '24, with output increasing modestly yet at a faster pace than in Nov '24. Additionally, new orders expanded for the first time in six months, and overseas sales rose marginally, marking their first advance in nearly a year. Purchasing levels also grew for the second consecutive month, achieving the strongest increase since May '24. Staffing levels experienced a modest net increase, leading to a slight rise in work backlogs for the first time since May '24. On the pricing front, input cost inflation remained elevated, driven by a strong US dollar, though still below the survey's average.

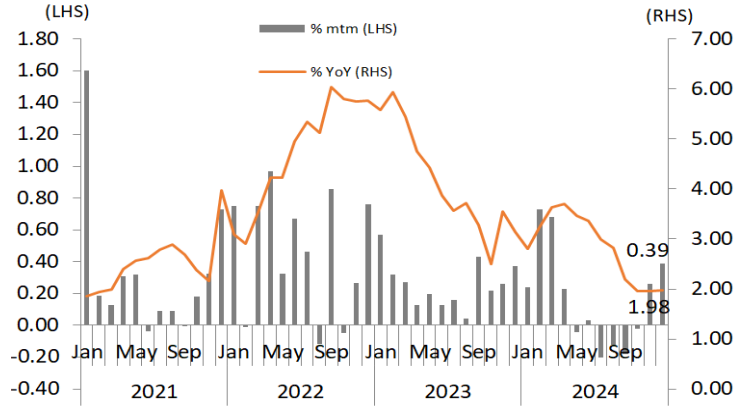
Despite the seasonal uptick in Dec '24, inflation is expected to ease in Jan '25. This decline aligns with typical patterns of restrained spending ahead of the fasting month and Eid celebrations in Feb and Mar '25. Looking forward, the 6.5% average minimum wage (UMP) increase in 2025, coupled with the cancellation of a scheduled VAT increase on normal goods just before the new year, is expected to bolster purchasing power. On the other hand, the persistently low inflation rate, combined with Bank Indonesia's unchanged policy rate since Sep '24, indicates significant capital flight to quality within Indonesia's financial markets—a trend that appears unlikely to reverse in the near term.

Fig 1. CPI (Consumer or Headline) Inflation



Sources: BPS, KBVS Research - treated (2025)

Fig 2. WPI (Wholesale) Inflation



Sources: BPS, KBVS Research - treated (2025)

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

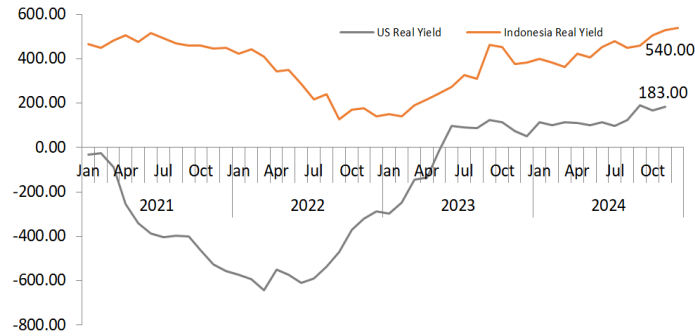


Fig 4. Yield of 10Yr Government Bond (in %)

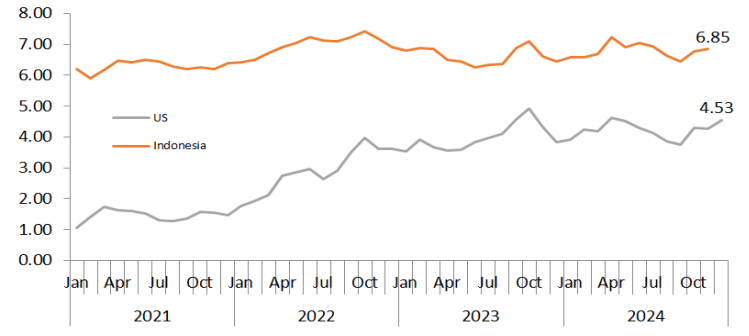


Fig 5. PMI Manufacturing

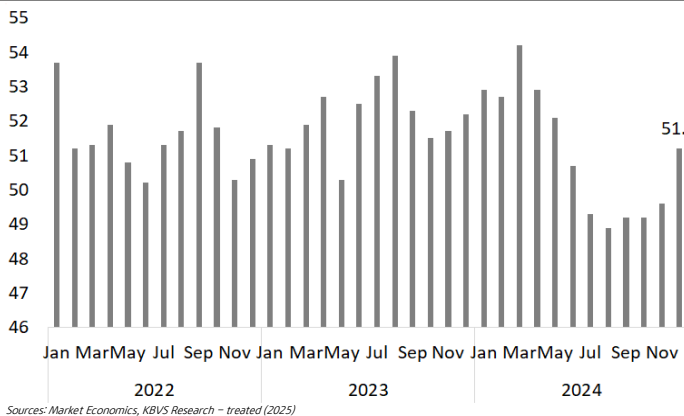


Fig 6. USD/IDR

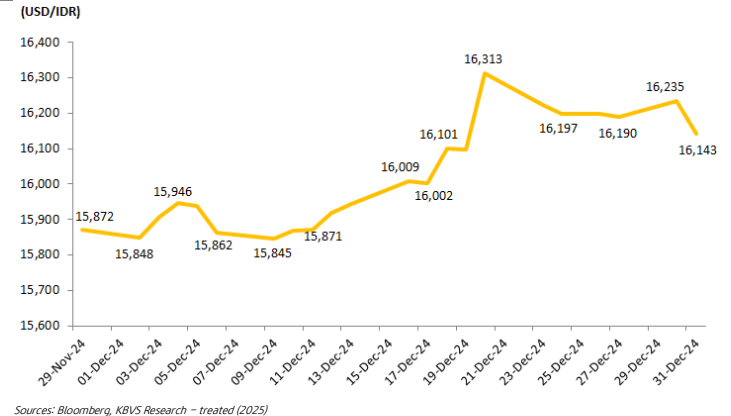


Fig 7. Residential Property Prices

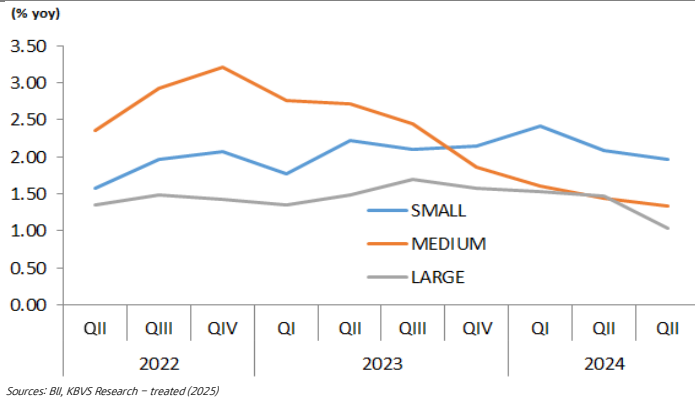


Fig 8. Retail Price Survey

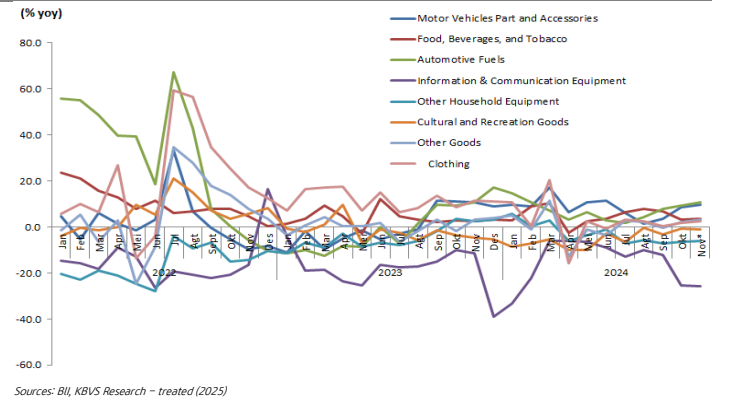


Fig 9. Chicken Meat & Chicken Eggs Price

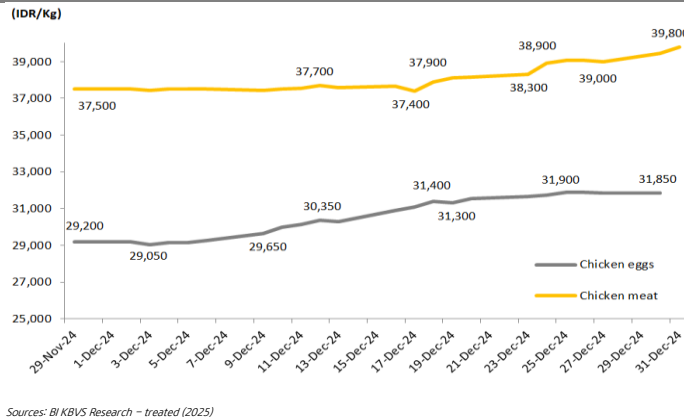


Fig 10. Red Chili Pepper & Cayenne Pepper Price

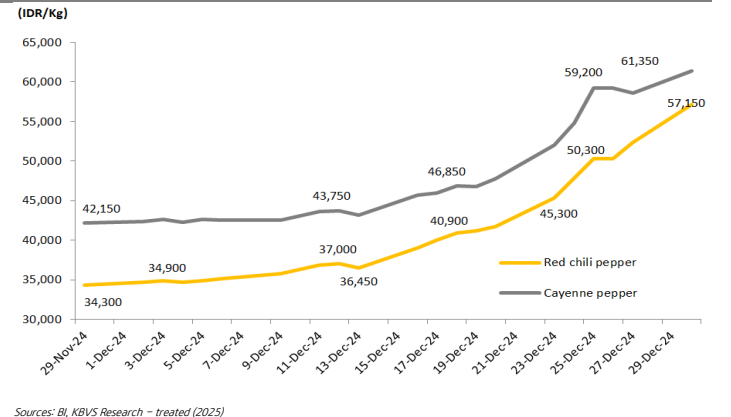


Table 1. CPI, WPI & Farmer Exchange Rate December'24

Indicators	Index		Inflation	
	Latest	M-1	MoM	YoY
Consumer Price Index (CPI)	106.80	106.33	0.44%	1.57%
Food, Beverages, and Tobacco	110.41	108.96	1.33%	1.90%
Clothing and Footwear	103.38	103.27	0.11%	1.16%
Housing, Water, Electricity, and Household Fuels	102.60	102.59	0.01%	0.59%
Equipment, Tools, and Routine Household Maintenance	103.87	103.84	0.03%	1.04%
Health	104.64	104.27	0.35%	1.93%
Transport	109.48	109.44	0.04%	-0.30%
Info, Comm. and Financial Services	99.48	99.48	0.00%	-0.27%
Recreation, Sport and Culture	104.26	104.17	0.09%	1.17%
Education Services	104.92	104.87	0.05%	1.94%
Food and Beverages Services/Restaurants	106.64	106.46	0.17%	2.48%
Personal Care and Other Services	113.22	112.93	0.26%	7.02%
Core inflation	105.35	105.17	0.17%	2.26%
Administered Price	108.80	108.77	0.03%	0.56%
Volatile Food	110.39	108.18	2.04%	0.12%
Wholesale Price Index (WPI)	119.79	119.32	0.39%	1.98%
Agriculture	114.23	112.69	1.37%	1.37%
Mining and Quarrying	126.44	125.99	0.36%	1.91%
Manufacturing	121.07	120.87	0.17%	2.12%
Farmer Exchange Rate	122.78	121.29	1.23%	4.26%
Farmers Price Received Index	149.50	146.82	1.83%	6.85%
Farmers Price Paid Index	121.76	121.04	0.59%	2.48%

Sources: BPS, KBV'S Research - treated (2025)

Table 2. Commodity Price In Traditional Market

No.	Commodity	Price (Rp per Kg)					Monthly Price Change (%, ptp)
		29/ 11/ 2024	06/ 12/2024	13/ 12/2024	20/ 11/ 2024	31/ 12/ 2024	
I	Rice	15,250	15,200	15,250	15,200	15,150	-0.66%
1	Lower Quality Rice I	14,000	13,950	13,950	14,000	13,950	-0.36%
2	Lower Quality Rice II	13,750	13,750	13,850	13,750	13,700	-0.36%
3	Medium Quality Rice I	15,300	15,300	15,300	15,300	15,250	-0.33%
4	Medium Quality Rice II	15,200	15,150	15,150	15,150	15,050	-0.99%
5	Super Quality Rice I	16,650	16,650	16,600	16,650	16,600	-0.30%
6	Super Quality Rice II	16,200	16,200	16,200	16,200	16,150	-0.31%
II	Chicken meat	37,500	37,450	37,650	38,300	39,450	5.20%
1	Fresh Race Chicken Meat	37,500	37,450	37,650	38,400	39,450	5.20%
III	Beef	135,100	135,150	134,900	134,750	134,900	-0.15%
1	Quality 1 Beef	138,600	138,600	138,450	138,850	138,400	-0.14%
2	Quality 2 Beef	129,850	129,950	129,650	130,200	129,350	-0.39%
IV	Chicken eggs	29,200	29,650	30,900	31,650	31,850	9.08%
1	Fresh Chicken Eggs	29,200	29,650	30,900	31,650	31,850	9.08%
V	Red onion	42,250	42,750	43,300	43,100	44,400	5.09%
1	Medium Shallot	42,250	42,750	43,300	43,250	44,400	5.09%
VI	Garlic	44,000	44,250	44,900	44,700	45,300	2.95%
1	Medium Size Garlic	44,000	44,250	44,900	44,850	45,300	2.95%
VII	Red chili pepper	34,650	35,750	39,000	45,300	57,150	64.94%
1	Large Red Chili	34,700	36,550	40,000	45,600	55,900	61.10%
2	Curly Red Chili	34,450	35,100	38,450	45,850	57,850	67.92%
VIII	Cayenne pepper	42,350	42,550	45,700	52,000	61,350	44.86%
1	Green Cayenne Pepper	38,200	39,100	42,550	45,700	52,350	37.04%
2	Red Cayenne Pepper	44,100	44,450	47,800	56,250	68,100	54.42%
IX	Cooking oil	20,200	20,300	20,350	20,450	20,500	1.49%
1	Bulk Cooking Oil	18,400	18,500	18,600	18,650	18,750	1.90%
2	Branded Packaging Cooking Oil 1	21,450	21,500	21,550	21,600	21,650	0.93%
3	Branded Packaging Cooking Oil 2	20,300	20,350	20,500	20,600	20,550	1.23%
X	Sugar	18,550	18,600	18,600	18,650	18,650	0.54%
1	Premium Quality Sugar	19,300	19,300	19,250	19,350	19,350	0.26%
2	Local Sugar	18,000	18,000	18,000	18,050	18,050	0.28%

Sources: BI, KBV'S Research - treated (2025)

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