

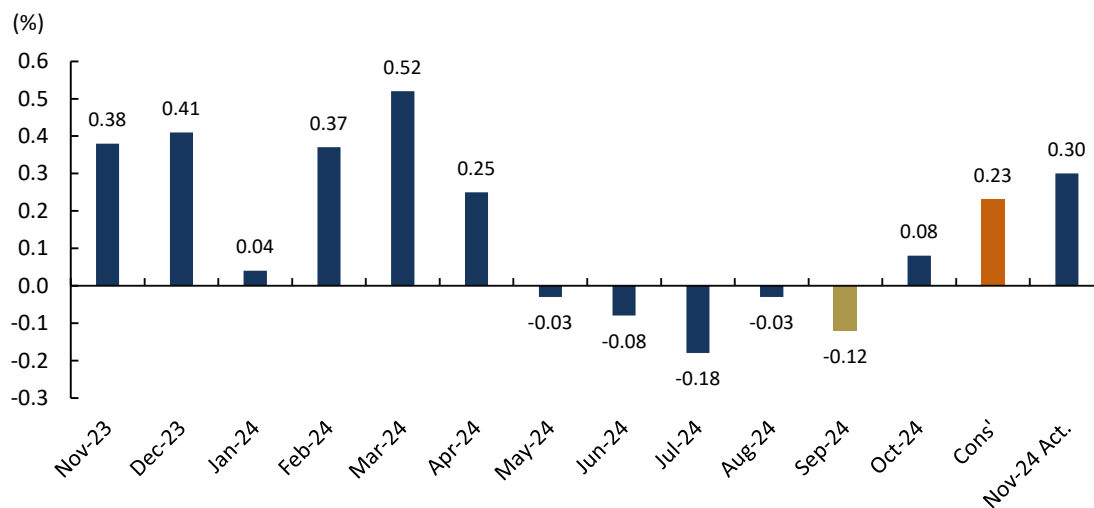
Indonesia November Inflation: 2 December 2024

- Indonesia's annual inflation rate fell to 1.55% in November 2024, marking the lowest level since July 2021, below our lower-bound forecast of 1.6%. The moderation reflects sluggish demand, in line with a downward-trending consumer confidence index and five consecutive months of contraction in the manufacturing index, which has halted expansion in formal sectors and, in turn, depressed demand.
- Food prices were significantly contributed to this trend, rising by only 1.68%, the slowest pace since August 2020. This deceleration was supported by abundant rice supplies, despite delays in the harvest season from March to May. Other sectors reflected slower demand trend, such as housing (0.59%), recreation and culture (1.49%), education (1.89%), and health (1.65%), which also saw easing inflation compared to the previous month. On the other hand, communication prices continued their deflationary trend, dropping 0.28%.
- However, not all sectors experienced softer price pressures. Accommodation costs rose slightly faster at 2.40%, while transport prices rebounded into positive territory at 0.03% after a previous decline. These pockets of inflation indicate a gradual recovery in mobility and demand for services as the economy normalizes.
- On a monthly basis, November inflation rose by 0.30%, marking the sharpest increase in eight months and signaling renewed demand pressures during the year-end festive season. However, there is a caveat: the contribution of gold prices does not purely reflect demand. The higher gold price is driven by people seeking to hedge against short-term risks rather than indicating growing core demand. Therefore, the month-to-month inflation trend may have moderated, aligning with the overall sluggish demand pattern.
- We observe this softer inflation having occurred predominantly on the back of slowing consumption effect; this, coupled with below-50 PMI, is a potential obstacle to achieving the government's 5%+ economic growth target in FY2024 (SSI's projection: 4.95 %; consensus: 5.0%).

Inflation Based on Spending Category YoY

	Breakdown	Inflation	Contribution to Inflation
	Headline Inflation	1.55	1.55
1	Food, Beverages and Tobacco	1.68	0.48
2	Personal care and other services	7.26	0.45
3	Food beverages services/restaurants	2.40	0.24
4	Education services	1.89	0.11
5	Housing, water, electricity and household fuels	0.59	0.09
6	Clothing and Footwear	1.20	0.06
7	Furnishings, household equipment and routine household maintenance	1.08	0.06
8	Health	1.65	0.05
9	Reaction, sport and culture	1.49	0.03
10	Transport	0.03	~0
11	Communication and financial services	-0.28	-0.02

Inflation MoM



Inflation YoY

