A/ ASSESSMENT RECAP

I. **Length:** 1,500 words total (+10% buffer)

Task: A report analyzing how a country has managed inflation over the past 15 years.

Research Areas:

- Inflation
- GDP growth
- Taxation
- Interest Rates and Borrowing Costs
- Government Regulations
- Unemployment rates
- Consumer Price Index (CPI) and Producer Price Index (PPI)
- Consumer Purchasing Power
- Central Bank Policies
- Supply and Demand Dynamics
- Exchange Rates
- Monetary Policy Measures
- Fiscal Policy Adjustments

Suggested structure:

I. Introduction

II. Background of Inflation in the country

III. Inflation's Impact on the country's Economy and Businesses

IV. Policies and Strategies for Inflation Management

V. Evaluation of Policy Effectiveness

VI. Lessons and Recommendations

VII. Conclusion

B/ DEFINITION

- Inflation:
    - Inflation refers to the general increase in the prices of goods and services over time, leading to a decrease in the purchasing power of a currency.
- GDP Growth:
    - Gross Domestic Product (GDP) growth measures the increase in the total value of goods and services produced within a country's borders over a specific period, indicating the overall economic health and performance.
- Taxation:
    - Taxation is the process by which governments collect revenue from individuals and businesses to fund public services and government activities.
- Interest Rates and Borrowing Costs:
    - Interest rates represent the cost of borrowing money. Higher interest rates generally mean increased borrowing costs for individuals and businesses.
- Government Regulations:
    - Government regulations are rules and guidelines set by authorities to control and manage various aspects of business and societal activities in the interest of public welfare.
- Unemployment Rates:
    - Unemployment rates measure the percentage of the workforce that is unemployed and actively seeking employment, providing insights into the health of the job market.
- Consumer Price Index (CPI) and Producer Price Index (PPI):
    - CPI measures the average change in prices paid by consumers for a basket of goods and services, reflecting inflation. PPI gauges the average change in selling prices received by producers.
- Consumer Purchasing Power:
    - Consumer purchasing power is the ability of individuals to buy goods and services, influenced by factors such as income, inflation, and the overall cost of living.
- Central Bank Policies:
    - Central bank policies refer to the strategies and measures adopted by a country's central bank to control monetary conditions, including interest rates and money supply, to achieve economic objectives.
- Supply and Demand Dynamics:
    - Supply and demand dynamics describe the relationship between the availability of goods or services (supply) and the desire of buyers to purchase them (demand), influencing market prices.
- Exchange Rates:
    - Exchange rates represent the value of one currency in terms of another, determining the cost of international trade and influencing economic activities.
- Monetary Policy Measures:

    - Monetary policy measures involve actions taken by central banks to manage money supply, interest rates, and credit conditions to achieve economic stability and growth.
- Fiscal Policy Adjustments:
    - Fiscal policy adjustments refer to changes in government spending, taxation, and borrowing to influence the overall economic activity and achieve macroeconomic goals.

C/ DETAILED OUTLINE

I.Introduction (suggest 100 words)

- Significance of Understanding Inflation (35 words): Briefly explain why inflation is a crucial factor in business decision-making and economic forecasting.
  - Inflation impacts purchasing power, costs, and pricing.
  - Essential for strategic planning and financial forecasting.
  - Affects investment decisions and long-term business sustainability.
- Relevance to Business Managers (35 words): Address the direct impact of inflation on business strategies and operations in assigned country.
  - Directly influences assigned country market's operational costs and pricing strategies.
  - Crucial for adapting to consumer demand fluctuations in assigned country.
  - Helps in navigating economic policies and currency valuation changes.
- Teaser of Key Insights (30 words): Provide a preview of the unique insights and findings that the report will offer about assigned country's inflation scenario.
  - In-depth analysis of assigned country's inflation trends and control measures.
  - Insight into the impact of inflation on diverse business sectors.
  - Strategic recommendations for thriving in an inflation-impacted economy.

II.Background of Inflation in Indonesia (200 words)

Instruction:

- Requirement: Provide a historical perspective of inflation over the past 15 years, including major fluctuations and events

1. Overview of Inflation Trend

- Provide an overview of the annual inflation rates over the past 15 years.
- Highlight periods of high or low inflation and identify any significant trends.

Historical inflation rates in comparison

Year	Indonesia	Ø EU	Ø USA	Ø World
2022	4.21 %	8.83 %	8.00 %	7.97 %
2021	1.56 %	2.55 %	4.70 %	3.47 %
2020	1.92 %	0.48 %	1.23 %	1.92 %
2019	3.03 %	1.63 %	1.81 %	2.21 %
2018	3.20 %	1.74 %	2.44 %	2.44 %
2017	3.81 %	1.43 %	2.13 %	2.22 %
2016	3.53 %	0.18 %	1.26 %	1.60 %
2015	6.36 %	-0.06 %	0.12 %	1.44 %
2014	6.39 %	0.20 %	1.62 %	2.35 %
2013	6.41 %	1.22 %	1.46 %	2.62 %
2012	4.28 %	2.66 %	2.07 %	3.73 %
2011	5.36 %	3.29 %	3.16 %	4.82 %
2010	5.13 %	1.53 %	1.64 %	3.35 %
2009	4.39 %	0.84 %	-0.36 %	2.94 %
2008	10.23 %	4.16 %	3.84 %	8.95 %

Historical inflation rates in comparison

Hint:

- **Initial Decade Overview**

→ In 2022, Indonesia experienced an inflation rate peaking at 5-6%, which was relatively lower compared to other global economies. This was mainly due to low transmission of producer price inflation to consumers. Despite facing increasing demand and rising input costs, Indonesian businesses were somewhat shielded from the full impact of global inflationary pressures, which soared above 9% globally in 2022. This was partly due to government interventions like price caps that helped contain inflation but also led to a 30% increase in gasoline prices in September 2022
https://blogs.worldbank.org/developmenttalk/bucking-global-trend-insights-inflation-indonesia

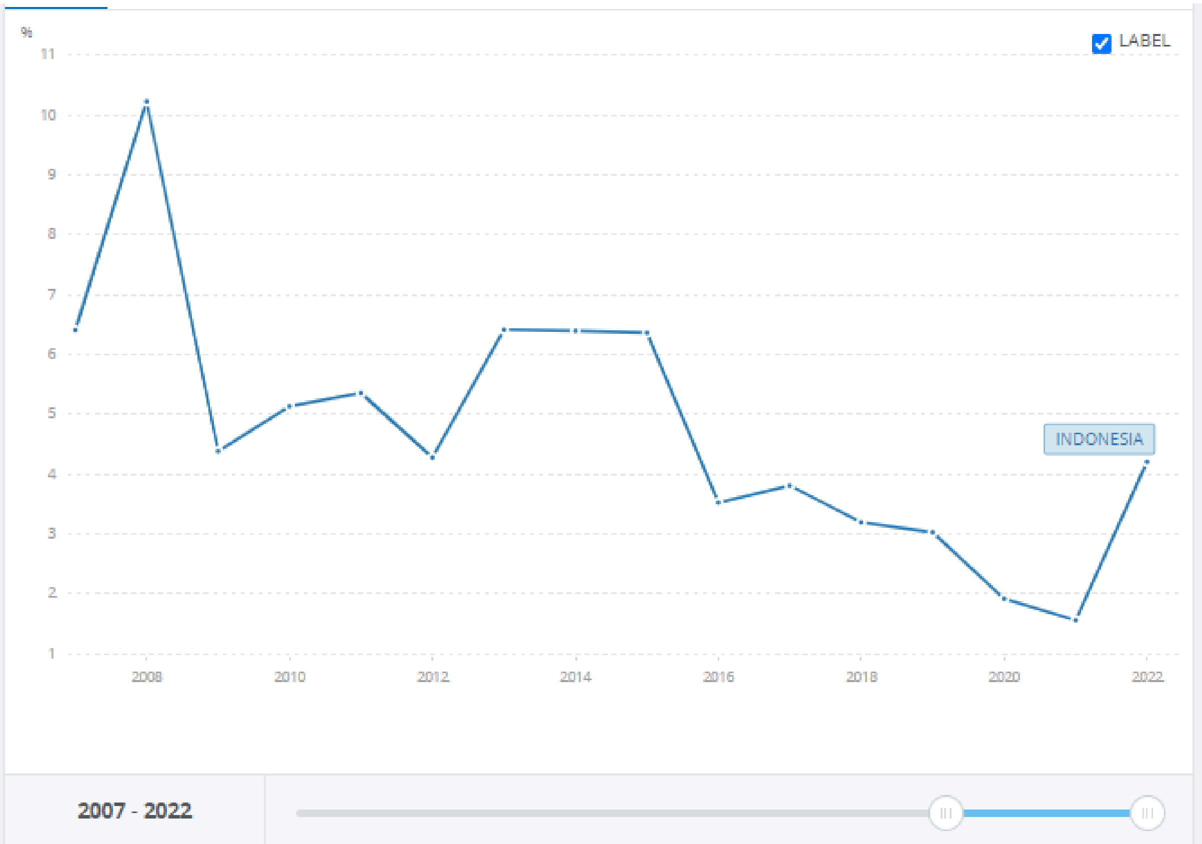
→ **Impact of Low and Stable Inflation in 2021:** In 2021, Indonesia managed to keep its inflation rate low and stable at 1.87%. This achievement resulted from effective coordination among the central and regional governments and Bank Indonesia. Low inflation is essential for sustainable economic growth and has a direct positive impact on improving people's welfare. However, specific commodities like cayenne pepper and cooking oil saw significant price increases due to factors like non-optimal production and higher demand https://ekon.go.id/publikasi/detail/4067/during-the-increase-of-global-inflation-indonesias-inflation-rate-in-2021-remains-under-control-low-and-stable

→ **Operational Costs and Profit Margins:** The gap between producer and consumer prices in Indonesia widened due to higher input costs, indicating that producers did not fully pass these costs onto consumers. This could be attributed to concerns about reduced demand, profit margins, or product quality, along with price caps on consumer goods. These factors played a significant role in maintaining lower consumer price inflation, thus influencing the operational costs and profit margins of businesses https://blogs.worldbank.org/developmenttalk/bucking-global-trend-insights-inflation-indonesia

→ **High Inflation Periods:** In contrast, there have been periods of high inflation, such as in July 2022, when the inflation rate reached 4.94%, the highest in seven years. This increase was attributed to global food and energy price hikes, crop failures domestically, and changes in government energy policies. Such periods of high inflation can squeeze profit margins and increase operational costs for businesses https://www.channelnewsasia.com/asia/cna-explains-why-indonesia-high-inflation-rate-2861616

→ **Long-term Effects of Inflation Control Policies:** Indonesia's approach to managing inflation, particularly through fuel subsidies and price controls, has both short-term and long-term impacts. While these policies can protect consumers and businesses in the short term, they can lead to market distortions, discourage competition, and hinder investment and economic growth in the long run. For example, during the Susilo Bambang Yudhoyono administration (2004-2014), late responses to raising subsidized fuel prices led to double-digit inflation rates and significant economic challenges https://www.indonesia-investments.com/finance/macroeconomic-indicators/inflation-in-indonesia/item254

- **Recent Five-Year Trend**



https://data.worldbank.org/indicator/FP.CPI.TOTL.ZG?end=2022&locations=ID&start=2007&view=chart