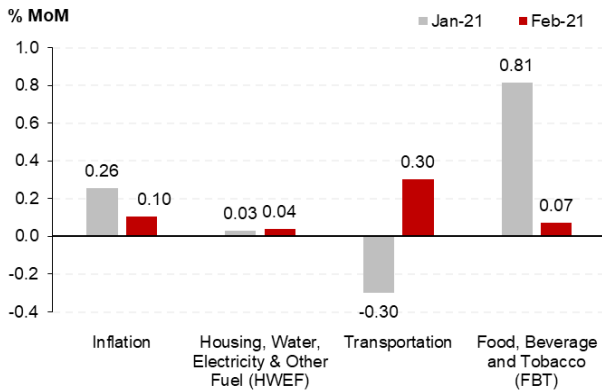


Indonesia Consumer Price Index

Inflation slows in February on weak demand

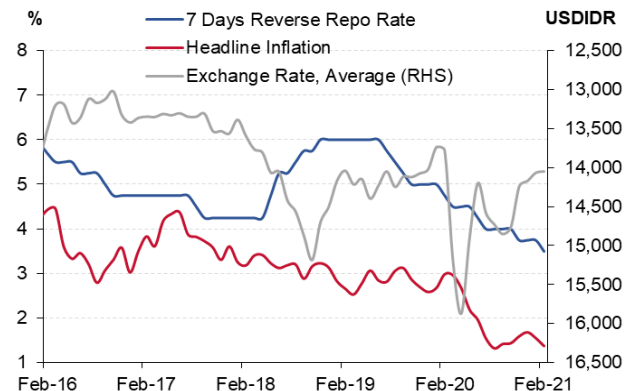
- Headline inflation moderated to a six-month low in February (1.38%; Jan: 1.55%), matching consensus and remained below Bank Indonesia's (BI) inflation target band of 2.0%-4.0% for nine months.**
 - MoM: momentum slowed (0.10%; Jan: 0.26%), a four-month low, reflecting the impact of extended partial lockdown measures on economic activities.
 - Core inflation: moderated for the eleventh straight month to 1.53% (Jan: 1.56%).
- Lower food prices far outweighed higher transportation prices**
 - Food, beverage, and tobacco (1.92%; Jan: 2.81%): slowed to a five-month low.
 - Transportation (0.41%; Jan: -0.26%): prices rose in tandem with higher oil prices.
- Higher inflationary pressure across the region as demand improved**
 - VN: CPI rose to a three-month high in February (0.7%; Jan: -1.0%) due to higher demand for food in line with the Lunar New Year festival.
 - SG: headline inflation returned to positive territory in January (0.2%; Dec: 0.0%) due to increased costs of private transportation and accommodation. This is the first uptick in prices since February last year.
- 2021 CPI forecast maintain at 2.30% (2020: 2.04%)**
 - Inflation is expected to remain subdued and slightly above the lower end of BI target range of 2.0%-4.0% in the 1H21 before it gradually rises in the 2H21. While we believe BI still has room to cut rates to bolster growth, chances for another rate cut are limited given that the central bank has signalled it may use other policy measures, while the rupiah is under pressure on rising US bond yields.

Graph 1: CPI by Main Categories



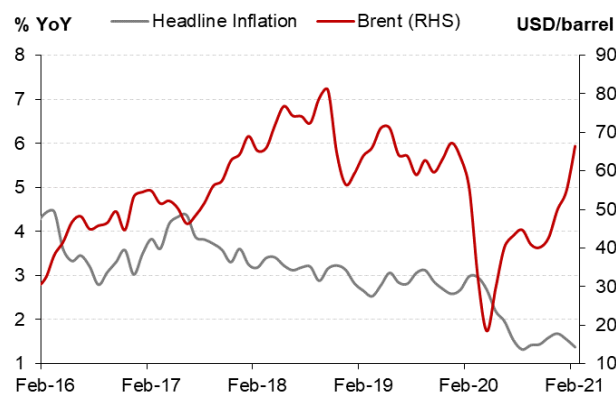
Source: BPS, CEIC, Kenanga Research

Graph 2: Inflation vs. Policy Rate



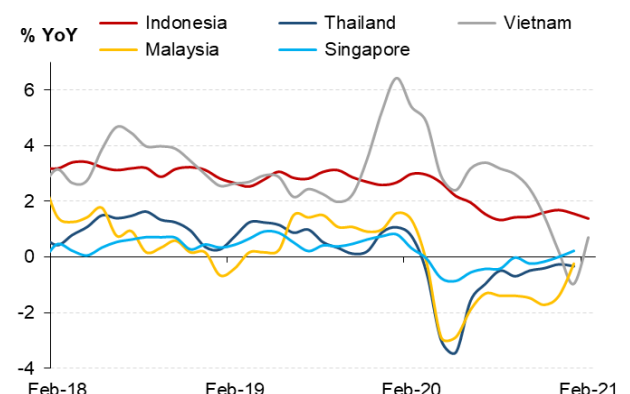
Source: BPS, CEIC, Kenanga Research

Graph 3: CPI vs. Crude Oil Prices



Source: BPS, CEIC, Bloomberg, Kenanga Research

Graph 4: Regional Inflation Growth Trend



Source: BPS, CEIC, Kenanga Research

02 March 2021

Table 1: Indonesia Consumer Price Index Growth Trend (% YoY)

Base 2018=100	weight	Sep-20	Oct-20	Nov-20	Dec-20	Jan-21	Feb-21
CPI	100.00	1.42	1.44	1.59	1.68	1.55	1.38
Food, Beverage and Tobacco (FBT)	25.01	1.78	2.25	2.87	3.63	2.81	1.92
Housing, Water, Electricity & Other Fuel (HWEF)	20.45	0.66	0.56	0.41	0.35	0.25	0.20
Transportation	12.38	-0.72	-0.79	-0.47	-0.85	-0.26	0.41
Food and Beverage Provision/Restaurant	8.67	2.37	2.11	2.11	2.26	2.41	2.52
Household Equipment & Routine Maintenance (HHE)	5.97	1.50	1.33	1.16	1.03	1.10	1.40
Personal Care and Other Services (PCS)	5.89	6.97	6.62	6.21	5.80	5.55	4.97
Information, Comm & Financial Service (ICFS)	5.83	-0.42	-0.44	-0.43	-0.35	-0.35	-0.37
Education	5.62	1.34	1.29	1.40	1.40	1.57	1.56
Clothing and Footwear (CF)	5.41	1.04	1.05	1.18	1.01	1.00	0.84
Health	2.62	3.24	2.93	2.98	2.79	2.55	2.40
Recreation, Sports, and Culture (RSC)	2.15	1.07	0.92	0.83	0.73	0.60	0.59
Core		1.86	1.74	1.67	1.60	1.56	1.53
Administered		0.63	0.46	0.56	0.25	0.34	0.66
Volatile		0.55	1.32	2.41	3.62	2.82	1.52
Energy		-0.60	-0.75	-0.87	-0.90	-0.29	-0.04

Source: BPS, CEIC, Kenanga Research

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