

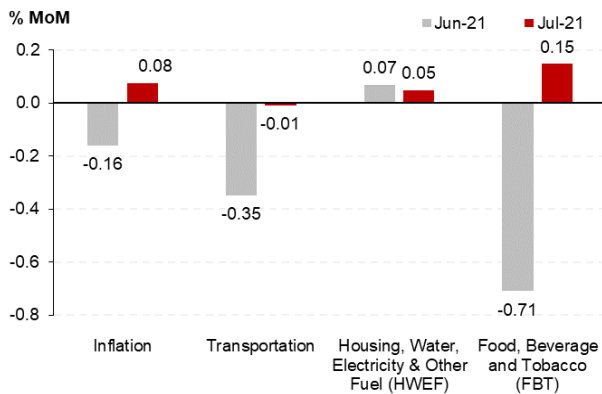
03 August 2021

# Indonesia Consumer Price Index

Inflation edged up in July on higher food prices

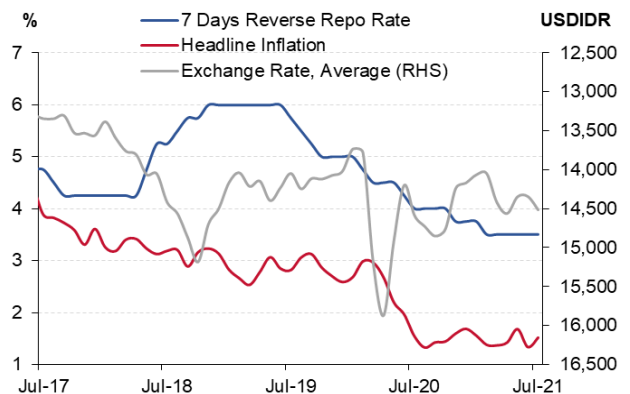
- Headline inflation climbed to a two-month high in July (1.52%; Jun: 1.33%), beating consensus of 1.45%, but remained below Bank Indonesia's (BI) inflation target band of 2.0-4.0%.**
  - MoM: rebounded slightly (0.08%; Jun: -0.16%) despite surged in COVID-19 cases and extended movement curbs.
  - Core inflation: moderated slightly (1.40%; Jun: 1.49%).
- Inflationary pressure picked up on higher food, beverage & tobacco prices**
  - Food, beverage & tobacco (2.74%; Jun: 1.85%): accelerated to a two-month high despite surging COVID-19 cases during the month.
  - Transportation (0.25%; Jun: 0.09%): expanded due to higher fuel prices in line with elevated global crude oil prices.
  - Personal care and other services (2.5%; Jun: 3.53%): moderated sharply.
- Higher inflationary pressure across the region**
  - VN: CPI rose by 2.6% in July (Jun: 2.4%) due to higher increase in the transportation index, along with food and catering services as demand rise.
  - SG: inflation climbed 2.4% in June, matching May's inflation as a drop in retail and other goods was offset by higher private transport and accommodation prices.
- 2021 CPI forecast retained at 1.9% (2020: 2.04%)**
  - Given the recent surge of COVID-19 infections as well as an extended partial lockdown imposed by the government, we expect inflationary pressure to remain subdued in the near term. Nonetheless, we still expect inflationary pressure to gradually increase in the 2H21 on the back of the base effect and higher commodity prices.
  - On the monetary policy front, BI is expected to hold the policy rate steady at 3.50% for the rest of the year amid heightened global financial instability brought by the US Fed policy shift and fears over the spread of COVID-19's Delta variant.

Graph 1: CPI by Main Categories



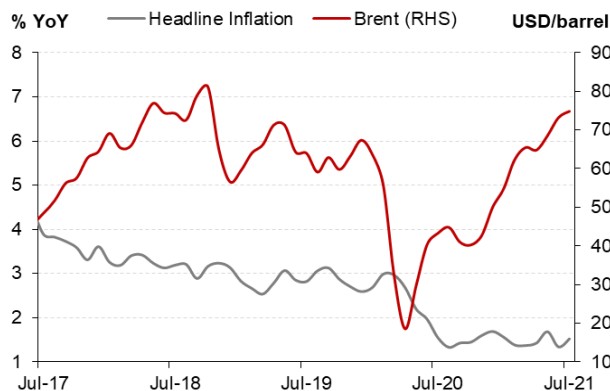
Source: BPS, CEIC, Kenanga Research

Graph 2: Inflation vs. Policy Rate



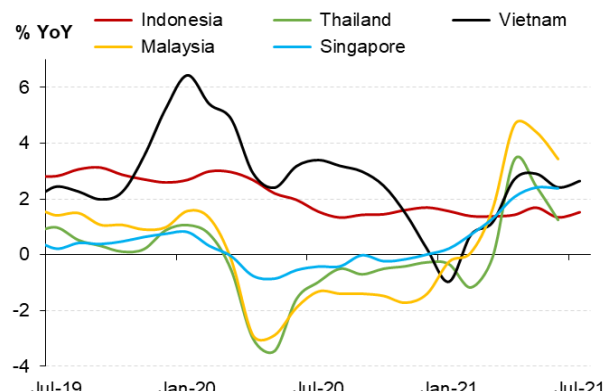
Source: BPS, CEIC, Kenanga Research

Graph 3: CPI vs. Crude Oil Prices



Source: BPS, CEIC, Bloomberg, Kenanga Research

Graph 4: Regional Inflation Growth Trend



Source: BPS, CEIC, Kenanga Research

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

Base 2018=100	weight	Feb-21	Mar-21	Apr-21	May-21	Jun-21	Jul-21
<b>CPI</b>	<b>100.00</b>	<b>1.38</b>	<b>1.37</b>	<b>1.42</b>	<b>1.68</b>	<b>1.33</b>	<b>1.52</b>
Food, Beverage and Tobacco (FBT)	25.01	1.92	2.22	2.33	3.05	1.85	2.74
Housing, Water, Electricity & Other Fuel (HWEF)	20.45	0.20	0.22	0.20	0.19	0.30	0.36
Transportation	12.38	0.41	0.59	1.01	0.85	0.09	0.25
Food and Beverage Provision/Restaurant	8.67	2.52	2.32	2.35	2.73	2.68	2.59
Household Equipment & Routine Maintenance (HHE)	5.97	1.40	1.23	1.41	1.59	1.78	1.79
Personal Care and Other Services (PCS)	5.89	4.97	3.53	2.60	3.08	3.53	2.50
Information, Comm & Financial Service (ICFS)	5.83	-0.37	-0.31	0.03	-0.04	0.01	0.02
Education	5.62	1.56	1.56	1.57	1.58	1.61	1.63
Clothing and Footwear (CF)	5.41	0.84	0.73	0.89	1.32	1.18	1.17
Health	2.62	2.40	2.28	2.23	2.03	1.92	1.87
Recreation, Sports, and Culture (RSC)	2.15	0.59	0.62	0.79	0.86	0.96	0.86
Core		1.53	1.21	1.18	1.37	1.49	1.40
Administered		0.66	0.88	1.12	0.93	0.49	0.61
Volatile		1.52	2.49	2.73	3.66	1.60	2.97
Energy		-0.04	-0.10	-0.11	-0.20	-0.12	-0.09

Source: BPS, CEIC, Kenanga Research

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