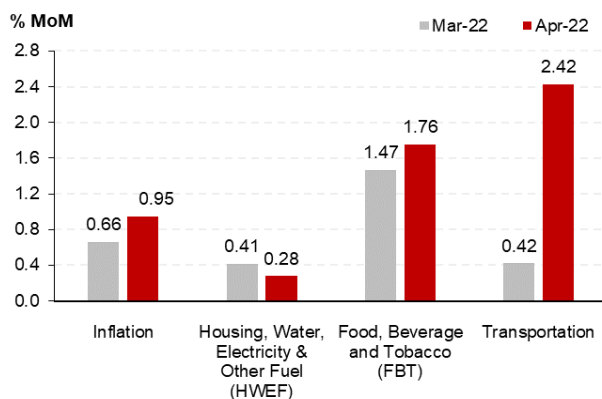


Indonesia Consumer Price Index

Inflation surged in April on higher food and transportation prices

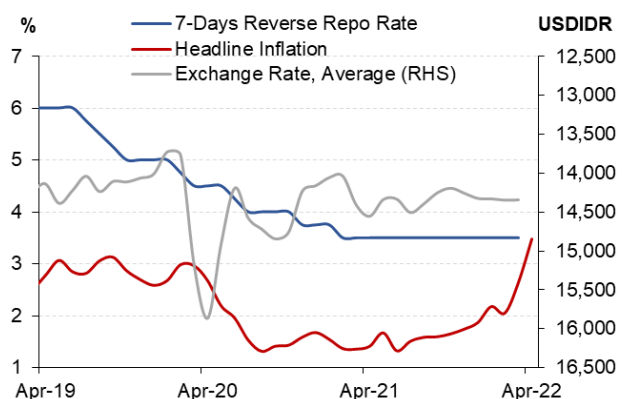
- **Headline inflation rose in April (3.47%; Mar: 2.64%), highest since December 2017, beating consensus (3.34%) but still within Bank Indonesia's (BI) inflation target band of 2.0-4.0%**
 - MoM: accelerated (0.95%; Mar: 0.66%), highest since January 2017.
 - Core inflation: expanded (2.60% YoY; Mar: 2.37%), highest since May 2020.
- **Higher inflationary pressure due to food, beverages and tobacco as well as transportation prices**
 - Food, beverage & tobacco (5.20%; Mar: 3.59%): rose to a two-year high. On MoM basis, it grew by 1.76% (Mar: 1.47%), fastest since December 2014.
 - Transportation (4.84%; Mar: 2.36%): highest since August 2017 in line with the elevated global crude oil price and increase in mass mobility.
- **Higher inflationary pressure across the region due to elevated global crude oil prices**
 - VN: CPI accelerated in April (2.6%; Mar: 2.4%), with a 0.2% MoM increase, due to higher prices in eight major groups of goods and services.
 - SG: headline inflation soared in March (5.4%; Feb: 4.3%), highest in a decade due to rising transportation costs.
- **2022 inflation forecast revised to 3.5% from 2.7% (2021: 1.56%)**
 - Given the higher inflationary pressure in the first four months of this year, it is likely expected that the inflationary pressure in the 2H22 will be higher largely due to the base effect and as a result of rising demand and supply disruption. Nevertheless, the inflation rate for 2022 is expected to remain within BI's target of 2.0-4.0%.
 - On the monetary policy front, we maintain our outlook that BI may start to raise its policy rate as soon as in 3Q22 due to the build-up of inflationary pressure, and in correspond to the global central banks tightening cycle. We believe BI would focus on growth recovery while the rupiah remained relatively stable despite global financial instability brought by the hawkish US Fed, China's zero-COVID policy and elevated commodity prices.

Graph 1: CPI by Main Categories



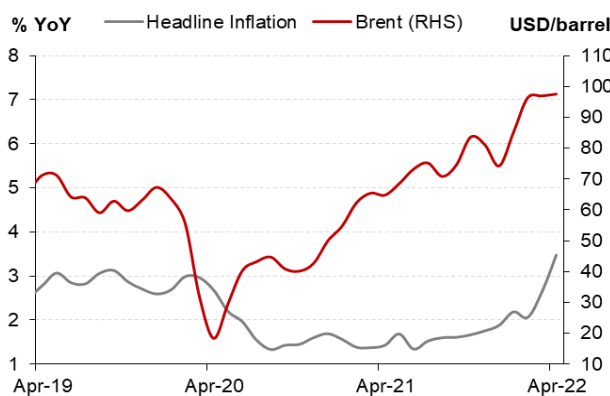
Source: BPS, CEIC, Kenanga Research

Graph 2: Inflation vs. Policy Rate



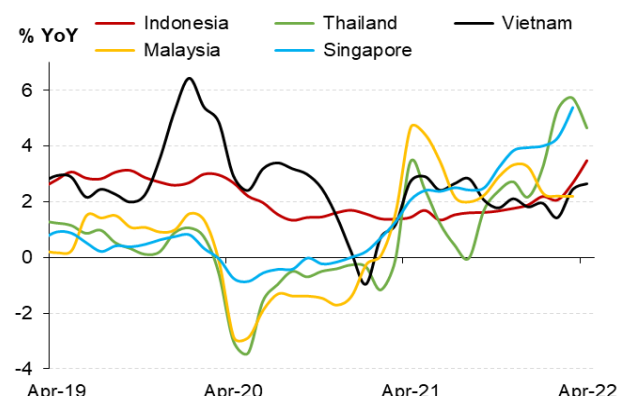
Source: BPS, CEIC, Kenanga Research

Graph 3: CPI vs. Crude Oil Prices



Source: BPS, CEIC, Bloomberg, Kenanga Research

Graph 4: Regional Inflation Growth Trend



Source: BPS, CEIC, Kenanga Research

10 May 2022

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

Base 2018=100	weight	Nov-21	Dec-21	Jan-22	Feb-22	Mar-22	Apr-22
CPI	100.00	1.75	1.87	2.18	2.06	2.64	3.47
Food, Beverage and Tobacco (FBT)	25.01	2.98	3.09	3.45	2.51	3.59	5.20
Housing, Water, Electricity & Other Fuel (HWEF)	20.45	0.69	0.76	1.24	1.46	1.84	2.05
Transportation	12.38	1.42	1.58	1.91	1.67	2.36	4.84
Food and Beverage Provision/Restaurant	8.67	2.71	2.68	2.70	2.97	3.13	3.47
Household Equipment & Routine Maintenance (HHE)	5.97	2.49	2.66	3.31	3.40	3.81	4.23
Personal Care and Other Services (PCS)	5.89	1.15	1.70	2.09	2.85	4.43	4.91
Information, Comm & Financial Service (ICFS)	5.83	0.02	-0.07	-0.24	-0.25	-0.22	-0.22
Education	5.62	1.60	1.60	1.64	1.72	1.72	1.71
Clothing and Footwear (CF)	5.41	1.34	1.53	1.85	1.89	2.04	1.83
Health	2.62	1.70	1.68	1.73	1.87	2.07	2.19
Recreation, Sports, and Culture (RSC)	2.15	1.02	1.13	1.49	1.78	1.90	1.90
Core		1.44	1.56	1.84	2.03	2.37	2.60
Administered		1.69	1.79	2.37	2.34	3.06	4.83
Volatile		3.05	3.20	3.35	1.81	3.25	5.48
Energy		0.30	0.32	0.96	1.22	2.09	4.13

Source: BPS, CEIC, Kenanga Research

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