

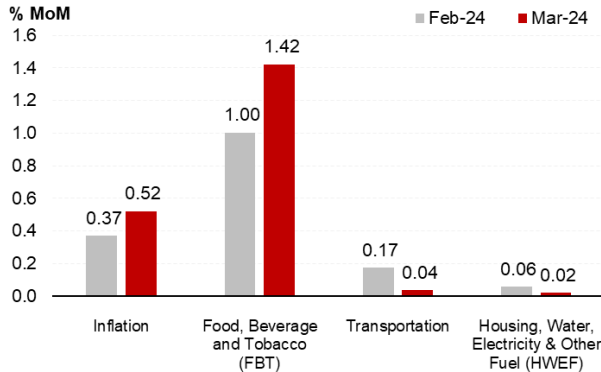
02 April 2024

# Indonesia Consumer Price Index

Inflation rose to 3.05% in March on higher food prices

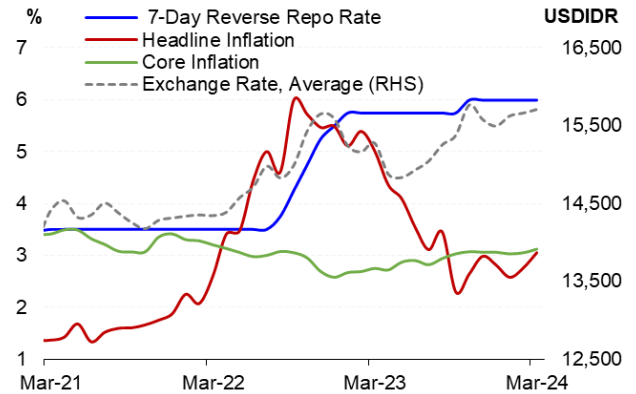
- **Headline inflation expanded to 3.05% YoY (Feb: 2.75%), beating the consensus of 2.91% but still within Bank Indonesia’s (BI) target band of 1.5% - 3.5%**
  - MoM (0.52%; Feb: 0.37%): accelerated to a 15-month high.
  - Core inflation (1.73% YoY; Feb: 1.68%): expanded to a three-month high.
- **Price pressure was mainly driven by higher food prices and a pick-up in transportation index**
  - Food, beverage & tobacco (7.28%; Feb: 6.36%): rose to an 18-month high and remained above the 2023 average (4.89%), partly due to the record-high rice prices amid the impact of El-Nino.
  - Transportation (1.82%; Feb: 1.40%): expanded to a seven-month high.
- **Mixed inflationary pressure across the region**
  - VN: headline inflation remained unchanged (4.0%; Feb: 4.0%), attributed to the increase in domestic rice prices.
  - TH: inflation fell in February (-0.8%; Jan: -1.1%), marking its fifth straight month of contraction.
- **2024 average inflation forecast retained at 3.2% (2023: 3.7), with price pressure to climb up in the near term amid the base effect last year and lingering effects of El Nino on food prices**
  - We maintain our outlook that domestic inflation risks are primarily tilted to the upside, driven by the El-Nino weather pattern and the upcoming festive season. Additionally, escalating geopolitical tensions and the weakening rupiah could further raise food prices.
  - Likewise, we continue to expect BI to maintain its policy rate steady at 6.00% in the 1H24, mainly to support the fragile rupiah amid global financial market uncertainty while keeping inflation under control. Nevertheless, we still believe BI has ample room to cut its policy rate earlier in a bid to support the growth outlook given that the current restrictive monetary policy stance could weigh on domestic demand.

Graph 1: CPI by Main Categories



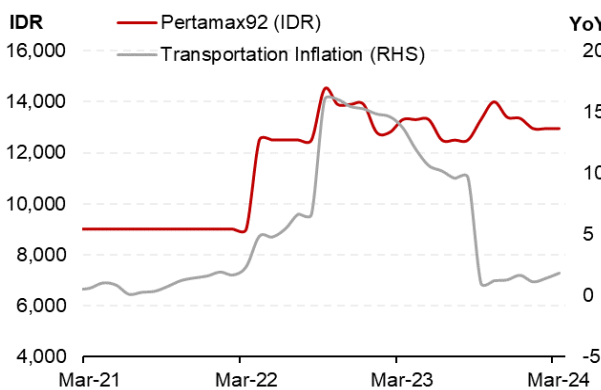
Source: BPS, Macrobond, Kenanga Research

Graph 2: Inflation vs. Policy Rate and Rupiah



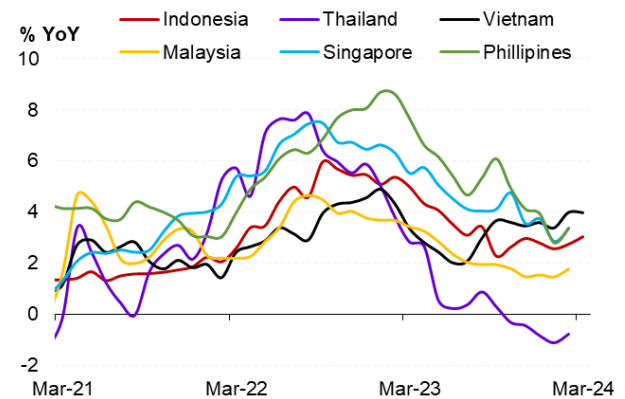
Source: BPS, Macrobond, Kenanga Research

Graph 3: Pertamina92 vs Transportation Inflation



Source: BPS, Bloomberg, Macrobond, Kenanga Research

Graph 4: Regional Inflation Growth Trend



Source: BPS, Macrobond, Kenanga Research

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

| Base 2018=100                                   | weight        | 2022        | 2023        | Oct-23      | Nov-23      | Dec-23      | Jan-24      | Feb-24      | Mar-24      |
|---|---------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| <b>CPI</b>                                      | <b>100.00</b> | <b>4.21</b> | <b>3.67</b> | <b>2.64</b> | <b>2.98</b> | <b>2.81</b> | <b>2.57</b> | <b>2.75</b> | <b>3.05</b> |
| Food, Beverage and Tobacco (FBT)                | 25.01         | 6.01        | 4.89        | 5.41        | 6.71        | 6.64        | 5.84        | 6.36        | 7.28        |
| Housing, Water, Electricity & Other Fuel (HWEF) | 20.45         | 2.50        | 2.06        | 1.16        | 1.12        | 0.31        | 0.58        | 0.57        | 0.37        |
| Transportation                                  | 12.38         | 8.09        | 8.16        | 1.20        | 1.27        | 1.64        | 1.11        | 1.40        | 1.82        |
| Food and Beverage Provision/Restaurant          | 8.67          | 3.83        | 3.15        | 2.21        | 2.18        | 2.30        | 2.37        | 2.38        | 2.36        |
| Household Equipment & Routine Maintenance (HHE) | 5.97          | 4.47        | 2.71        | 1.89        | 1.63        | 1.17        | 1.20        | 1.13        | 0.76        |
| Personal Care and Other Services (PCS)          | 5.89          | 4.59        | 4.36        | 3.67        | 3.76        | 3.47        | 3.01        | 3.09        | 3.50        |
| Information, Comm & Financial Service (ICFS)    | 5.83          | -0.28       | -0.12       | 0.11        | 0.07        | -0.11       | -0.11       | -0.13       | -0.17       |
| Education                                       | 5.62          | 2.12        | 2.48        | 1.99        | 1.98        | 1.37        | 1.57        | 1.55        | 1.42        |
| Clothing and Footwear (CF)                      | 5.41          | 1.60        | 1.17        | 0.85        | 0.69        | 1.63        | 1.02        | 0.90        | 1.47        |
| Health  | 2.62          | 2.33        | 2.49        | 2.04        | 2.04        | 1.41        | 1.88        | 1.95        | 1.71        |
| Recreation, Sports, and Culture (RSC)           | 2.15          | 2.29        | 2.07        | 1.50        | 1.38        | 1.76        | 1.68        | 1.68        | 1.69        |
| Core  |               | 2.76        | 2.46        | 1.91        | 1.87        | 1.80        | 1.68        | 1.68        | 1.73        |
| Administered                                    |               | 7.42        | 7.46        | 2.12        | 2.07        | 1.32        | 1.74        | 1.67        | 1.37        |
| Volatile  |               | 6.49        | 4.44        | 5.54        | 7.59        | 8.99        | 7.22        | 8.47        | 10.88       |
| Energy  |               | 7.89        | 8.33        | 0.11        | -0.24       | -0.71       | -0.07       | -0.10       | -0.66       |

Source: BPS, Macrobond, Kenanga Research

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