

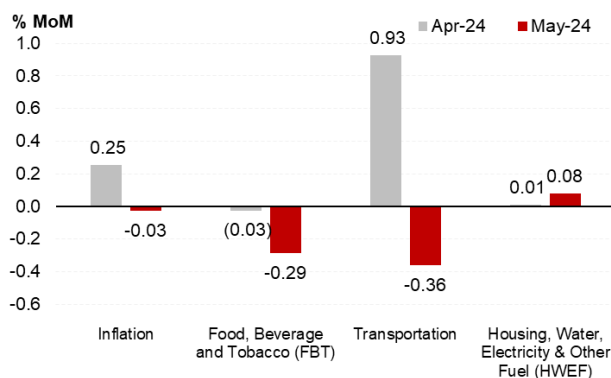
04 June 2024

Indonesia Consumer Price Index

Price pressure eases in May as food prices moderate

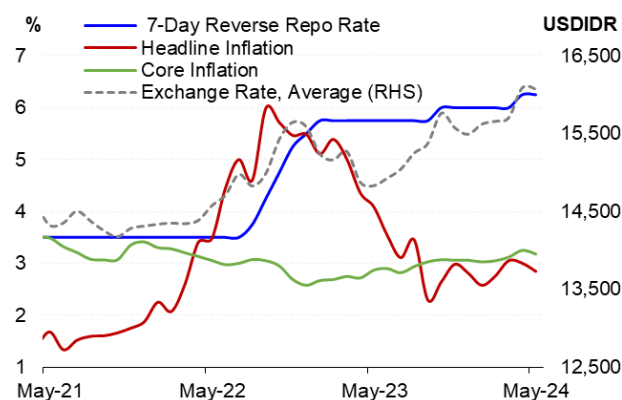
- Headline inflation eased for the second straight month to 2.84% YoY in May (Apr: 3.00%), a tad below the consensus of 2.94% and still within Bank Indonesia's (BI) target band of 1.5% - 3.5%**
 - MoM (-0.03%; Apr: 0.25%): dipped to the slowest pace in nine months.
 - Core inflation (1.93% YoY; Apr: 1.82%): increased for the third straight month, hitting an eight-month high.
- Stable price pressure as food prices decelerate**
 - Food, beverage & tobacco (6.18%; Apr: 7.04%): slowed, but remained high, surpassing the 2023 average (4.86%).
 - Transportation (1.34%; Apr: 1.33%): slowed as non-subsidized fuel prices remained unchanged since January despite higher global crude oil prices.
- Lingering inflationary pressure across the region**
 - VN: the pace of headline inflation remained unchanged in May (4.4%; Apr: 4.4%), a 16-month high and close to the government's annual target ceiling of 4.5%.
 - TH: inflation rose in April (0.2%; Mar: -0.5%) for the first time in seven months, ending a six straight month of deflation.
- 2024 average inflation forecast was revised down to 3.0% from 3.2% (2023: 3.7)**
 - Year-to-date (Jan-May), headline inflation grew 2.84% YoY compared to the same period last year. While we expect price pressures to intensify in the near term as the high base effect diminishes, the overall average inflation for 2024 is anticipated to stay broadly stable and controlled. This is due to the impact of the higher interest rate environment, which is currently the highest since 2016, starting to weigh on domestic demand.
 - On the monetary policy front, we expect BI to hold its policy rate steady at 6.25% in the near term given the stable inflation rate and the need to support economic growth. Nevertheless, there is some upside risk for higher interest rates given the current weakness in the rupiah exchange rate. Nevertheless, we still believe another rate hike is unnecessary as the current policy rate would weigh on domestic demand and growth outlook.

Graph 1: CPI by Main Categories



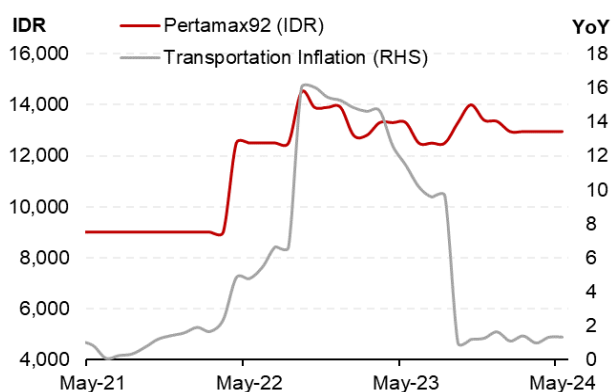
Source: BPS, Macrobond, Kenanga Research

Graph 2: Inflation vs. Policy Rate and Rupiah



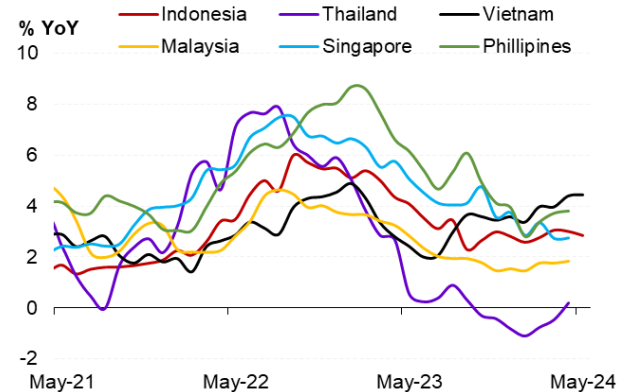
Source: BPS, Macrobond, Kenanga Research

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	Dec-23	Jan-24	Feb-24	Mar-24	Apr-24	May-24
CPI	100.00	4.21	3.67	2.81	2.57	2.75	3.05	3.00	2.84
Food, Beverage and Tobacco (FBT)	25.01	6.01	4.89	6.64	5.84	6.36	7.43	7.04	6.18
Housing, Water, Electricity & Other Fuel (HWEF)	20.45	2.50	2.06	0.31	0.58	0.57	0.55	0.50	0.54
Transportation	12.38	8.09	8.16	1.64	1.11	1.40	0.99	1.33	1.34
Food and Beverage Provision/Restaurant	8.67	3.83	3.15	2.30	2.37	2.38	2.51	2.47	2.51
Household Equipment & Routine Maintenance (HHE)	5.97	4.47	2.71	1.17	1.20	1.13	1.03	0.99	0.85
Personal Care and Other Services (PCS)	5.89	4.59	4.36	3.47	3.01	3.09	3.56	4.31	4.99
Information, Comm & Financial Service (ICFS)	5.83	-0.28	-0.12	-0.11	-0.11	-0.13	-0.13	-0.13	-0.16
Education	5.62	2.12	2.48	1.37	1.57	1.55	1.70	1.72	1.71
Clothing and Footwear (CF)	5.41	1.60	1.17	1.63	1.02	0.90	0.89	0.67	1.10
Health	2.62	2.33	2.49	1.41	1.88	1.95	2.17	2.08	2.06
Recreation, Sports, and Culture (RSC)	2.15	2.29	2.07	1.76	1.68	1.68	1.62	1.58	1.60
Core		2.76	2.46	1.80	1.68	1.68	1.77	1.82	1.93
Administered		7.42	7.46	1.32	1.74	1.67	1.39	1.54	1.52
Volatile		6.49	4.44	8.99	7.22	8.47	10.33	9.63	8.14
Energy		7.89	8.33	-0.71	-0.07	-0.10	-0.35	-0.33	-0.32

Source: BPS, Macrobond, Kenanga Research

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