

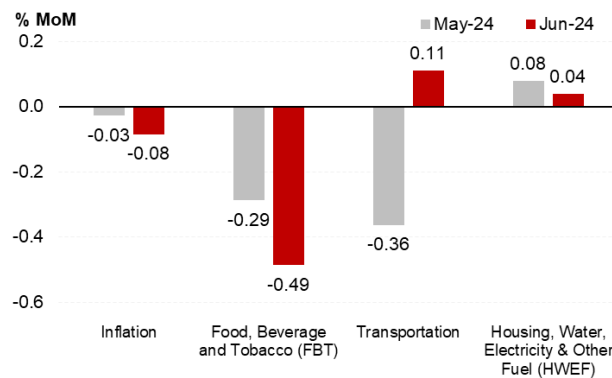
02 July 2024

Indonesia Consumer Price Index

Price pressure eases in June as food prices moderate further

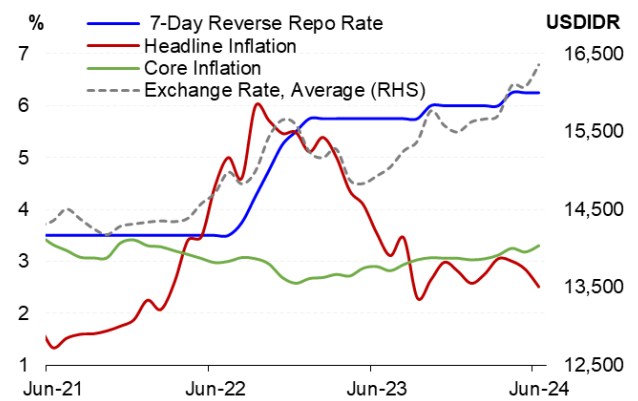
- Headline inflation eased for the third straight month in June to 2.51% YoY (May: 2.84%), lower than the consensus of 2.70% but still within Bank Indonesia's (BI) target band of 1.5% - 3.5%**
 - MoM (-0.08%; May: -0.03%): fell for the second straight month, and the slowest pace in 20 months.
 - Core inflation (1.90% YoY; May: 1.93%): inched down slightly as demand pressure subsided.
- Lower price pressure due to weak food prices**
 - Food, beverage & tobacco (4.95%; May: 6.18%): slowed to a nine-month low following the harvesting season. Nevertheless, it remained slightly higher than the 2023 average (4.86%).
 - Transportation (1.61%; May: 1.34%): price increased but relatively stable as non-subsidized fuel prices remained unchanged since January despite higher global crude oil prices.
- Stable inflationary pressure across the region**
 - VN: headline inflation slowed slightly in June (4.3%; May: 4.4%), below the government's target ceiling of 4.5%.
 - TH: inflation rose in May (1.5%; Apr: 0.2%), returning to the central bank's target range of 1.0% - 3.0%.
- 2024 average inflation forecast retained at 3.0% (2023: 3.7) following a slight revision in May**
 - Year-to-date (Jan-Jun), headline inflation grew at an average of 2.79% YoY (Jan-May: 2.84%). While we expect price pressures to escalate in the 2H24 as the high base effect diminishes, the overall average inflation for 2024 is anticipated to stay broadly stable and controlled on the back of a higher interest rate environment.
 - With that said, 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, room for further adjustment in the BI rate remains susceptible to the stability of the rupiah as well as the US Fed policy direction.

Graph 1: CPI by Main Categories



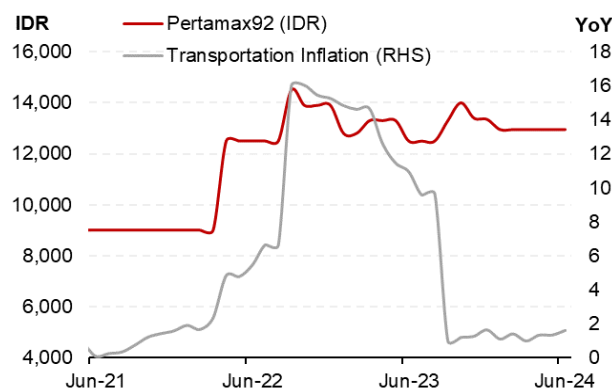
Source: BPS, Macrobond, Kenanga Research

Graph 2: Inflation vs. Policy Rate and Rupiah



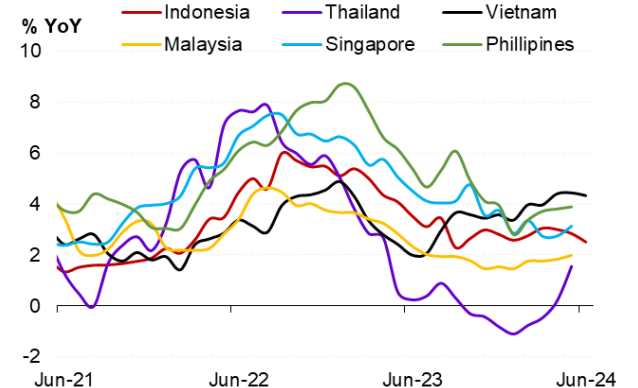
Source: BPS, Macrobond, Kenanga Research

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	Jan-24	Feb-24	Mar-24	Apr-24	May-24	Jun-24
CPI	100.00	4.21	3.67	2.57	2.75	3.05	3.00	2.84	2.51
Food, Beverage and Tobacco (FBT)	25.01	6.01	4.89	5.84	6.36	7.43	7.04	6.18	4.95
Housing, Water, Electricity & Other Fuel (HWEF)	20.45	2.50	2.06	0.58	0.57	0.55	0.50	0.54	0.47
Transportation	12.38	8.09	8.16	1.11	1.40	0.99	1.33	1.34	1.61
Food and Beverage Provision/Restaurant	8.67	3.83	3.15	2.37	2.38	2.51	2.47	2.51	2.31
Household Equipment & Routine Maintenance (HHE)	5.97	4.47	2.71	1.20	1.13	1.03	0.99	0.85	0.95
Personal Care and Other Services (PCS)	5.89	4.59	4.36	3.01	3.09	3.56	4.31	4.99	5.24
Information, Comm & Financial Service (ICFS)	5.83	-0.28	-0.12	-0.11	-0.13	-0.13	-0.13	-0.16	-0.18
Education	5.62	2.12	2.48	1.57	1.55	1.70	1.72	1.71	1.69
Clothing and Footwear (CF)	5.41	1.60	1.17	1.02	0.90	0.89	0.67	1.10	1.09
Health	2.62	2.33	2.49	1.88	1.95	2.17	2.08	2.06	1.89
Recreation, Sports, and Culture (RSC)	2.15	2.29	2.07	1.68	1.68	1.62	1.58	1.60	1.50
Core		2.76	2.46	1.68	1.68	1.77	1.82	1.93	1.90
Administered		7.42	7.46	1.74	1.67	1.39	1.54	1.52	1.68
Volatile		6.49	4.44	7.22	8.47	10.33	9.63	8.14	5.96
Energy		7.89	8.33	-0.07	-0.10	-0.35	-0.33	-0.32	0.14

Source: BPS, Macrobond, Kenanga Research

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