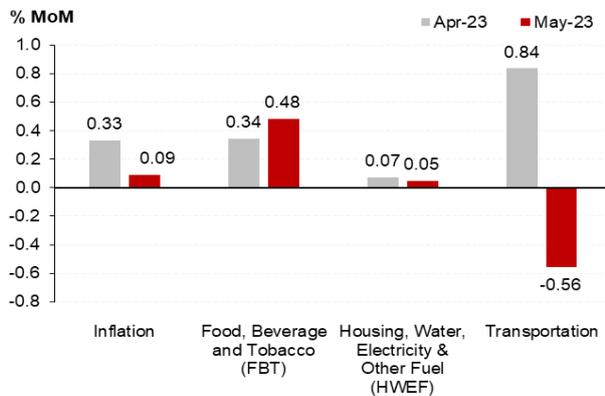


# Indonesia Consumer Price Index

Inflation rate eased back to BI target range for the first time since May 2022

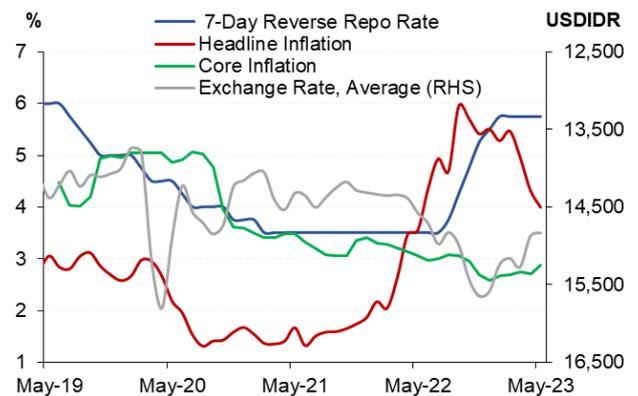
- Headline inflation moderated to 4.00% YoY (Apr: 4.33%), lower than the consensus of 4.23% and within Bank Indonesia's (BI) inflation target band of 2.0% - 4.0% for the first time since May 2022**
  - MoM: increased marginally (0.09%; Apr: 0.33%) but at its slowest pace in the past seven months.
  - Core inflation: edged down (2.66% YoY; Apr: 2.83%), lowest since June 2022.
- A broad-based moderation led by slower rise in food, beverage & tobacco and transportation**
  - Food, beverage & tobacco (4.27%; Apr: 4.58%): slowed to a 14-month low.
  - Transportation (10.62%; Apr: 11.96%): moderated to a nine-month low but remained at a double-digit rate.
  - Housing, water, electricity & other fuel (2.48%; Apr: 2.53%): moderated to an 11-month low.
- Inflationary pressure broadly moderated across the region**
  - VN: CPI moderated in May (2.4%; Apr: 3.4%), a 15-month low largely on lower fuel prices.
  - PH: inflation slowed in April (6.6%; Mar: 7.6%), an eight-month low due to the cumulative impact of interest rate hikes since last year.
- 2023 inflation forecast retained at 4.0% (2022: 4.21%)**
  - We are keeping the inflation forecast unchanged for now although the year-to-date inflation remained elevated at 4.81%. This is because we expect inflationary pressure to weaken towards the end of the year as we believe BI's cumulative rate tightening, combined with relatively lower commodity prices and improving supply chain conditions will ease inflationary pressure going forward.
  - Meanwhile, we maintain our monetary policy rate outlook whereby the policy rate is expected to remain unchanged at 5.75% for the rest of the year, largely on the anticipation that inflation will continue to moderate and remain within BI's target range of 2.0% - 4.0% until next year. Nevertheless, the likelihood for BI to adjust the policy rate in the future would depend on the stability of the rupiah, as the local note remains susceptible to global financial uncertainty.

Graph 1: CPI by Main Categories



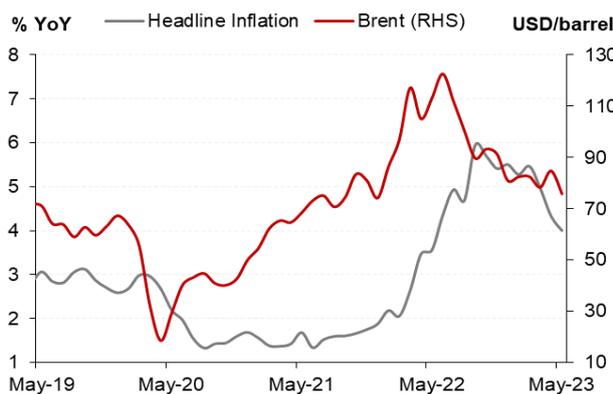
Source: BPS, Kenanga Research

Graph 2: Inflation vs. Policy Rate



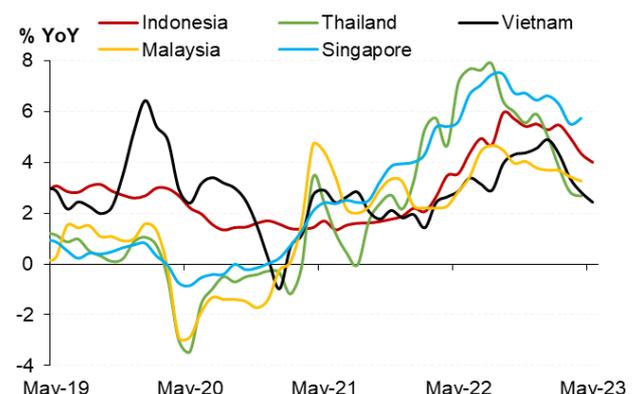
Source: BPS, Kenanga Research

Graph 3: CPI vs. Crude Oil Prices



Source: BPS, Bloomberg, Kenanga Research

Graph 4: Regional Inflation Growth Trend



Source: BPS, Kenanga Research

06 June 2023

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

Base 2018=100	weight	2021	2022	Dec-22	Jan-23	Feb-23	Mar-23	Apr-23	May-23
<b>CPI</b>	<b>100.00</b>	<b>1.56</b>	<b>4.21</b>	<b>5.51</b>	<b>5.28</b>	<b>5.47</b>	<b>4.97</b>	<b>4.33</b>	<b>4.00</b>
Food, Beverage and Tobacco (FBT)	25.01	2.71	6.01	5.83	5.82	7.23	6.05	4.58	4.27
Housing, Water, Electricity & Other Fuel (HWEF)	20.45	0.75	2.14	3.78	3.62	3.43	2.74	2.53	2.48
Transportation	12.38	0.69	8.09	15.26	13.91	13.59	13.72	11.96	10.62
Food and Beverage Provision/Restaurant	8.67	2.57	3.83	4.49	4.46	4.08	4.00	3.79	3.38
Household Equipment & Routine Maintenance (HHE)	5.97	1.81	4.47	4.86	4.28	4.02	3.72	3.27	3.03
Personal Care and Other Services (PCS)	5.89	2.52	4.59	5.91	6.15	5.63	4.74	4.67	4.48
Information, Comm & Financial Service (ICFS)	5.83	-0.09	-0.28	-0.36	-0.22	-0.20	-0.23	-0.25	-0.27
Education	5.62	1.67	2.12	2.77	2.80	2.76	2.75	2.75	2.75
Clothing and Footwear (CF)	5.41	1.15	1.60	1.40	1.07	1.18	1.18	1.80	1.54
Health	2.62	2.08	2.33	2.87	3.04	2.94	2.65	2.60	2.52
Recreation, Sports, and Culture (RSC)	2.15	0.83	2.29	3.04	2.87	2.60	2.54	2.38	2.18
Core		1.39	2.76	3.36	3.27	3.09	2.94	2.83	2.66
Administered		0.97	7.42	13.34	12.28	12.24	11.56	10.32	9.52
Volatile		2.87	6.49	5.61	5.71	7.62	5.83	3.74	3.28
Energy		-0.02	7.89	16.88	15.34	15.02	14.43	12.09	12.04

Source: BPS, Kenanga Research

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