

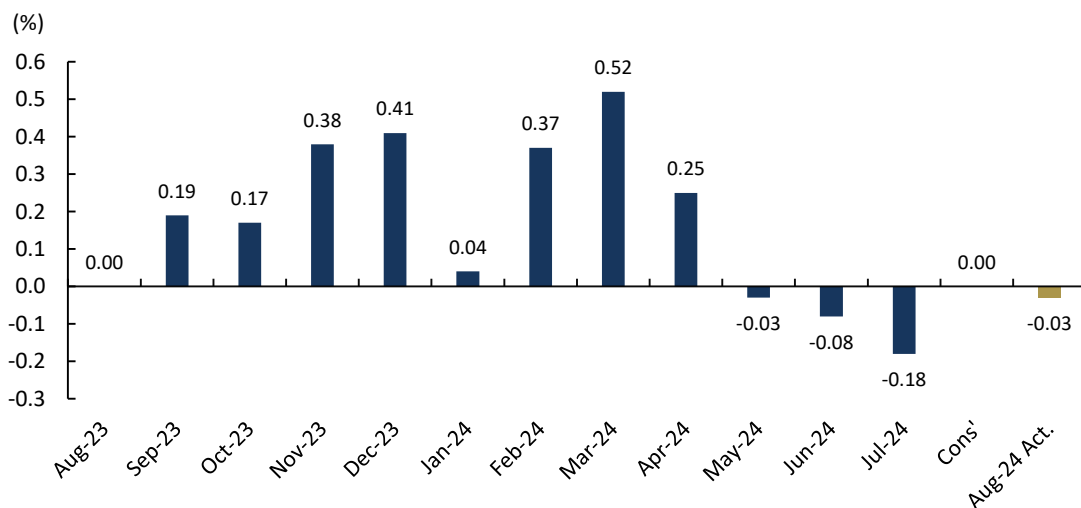
# Indonesia August Inflation: 2 September 2024

- In August 2024, Indonesia's annual inflation rate held steady at 2.12%, closely mirroring July's 2.13% and aligning with our forecast (2.11%) and the market consensus (2.10%). This marks the lowest inflation level since February 2022, indicating slower demand.
- The moderation in inflation was largely driven by significant slowdown in food price increases, which rose 3.39%—the smallest gain in 13 months—compared to 3.66% in July. Other sectors also saw easing inflationary pressures. Health sector inflation softened to 1.72% from 1.77% in July, accommodation and restaurant prices slowed to 2.24% from 2.28%, and education costs dipped to 1.83% from 1.90%. However, this general moderation was counterbalanced by accelerated price increases in several areas: transport prices rose to 1.42% from 1.22%, housing saw a slight uptick to 0.57% from 0.50%, and clothing prices increased to 1.19% from 0.99%. The recreation and culture sector also experienced a minor increase in inflation to 1.52% from 1.49%, while furnishings remained steady at 1.05%.
- Prices in communication and financial services continued to decline at a consistent rate of -0.16%. Since this sector serves as a demand indicator of the economy, we foresee lagging consumption, in line with the decline in the consumer confidence index and the downward movement of the middle class.
- On a monthly basis, the Consumer Price Index (CPI) edged down 0.03%, marking the fourth consecutive month of decline, following 0.18% decrease in July. This slight deflationary trend contrasts with expectations of a stable monthly CPI, indicating persistent downward pressure on prices, marking a period of slower demand.
- We observe this softer inflation materialization occurred predominantly on the back of lagging consumption effect - this, coupled with below-50 PMI, is a potential obstacle to achieving the government's 5%+ economic growth target in FY2024 (SSI's projection: 4.9 %).

## Inflation Based on Spending Category (YoY)

	Breakdown	Inflation	Contribution to Inflation
	<b>Headline Inflation</b>	<b>2.12</b>	<b>2.12</b>
1	Food, Beverages and Tobacco	3.39	0.96
2	Personal care and other services	6.04	0.37
3	Food beverages services/restaurants	2.24	0.23
4	Transport	1.42	0.18
5	Education services	1.83	0.10
6	Housing, water, electricity and household fuels	0.57	0.09
7	Clothing and Footwear	1.19	0.06
8	Furnishings, household equipment and routine household maintenance	1.05	0.06
9	Health	1.72	0.05
10	Reaction, sport and culture	1.52	0.03
11	Communication and financial services	-0.16	-0.01

## Inflation M-o-M



## Inflation YoY

