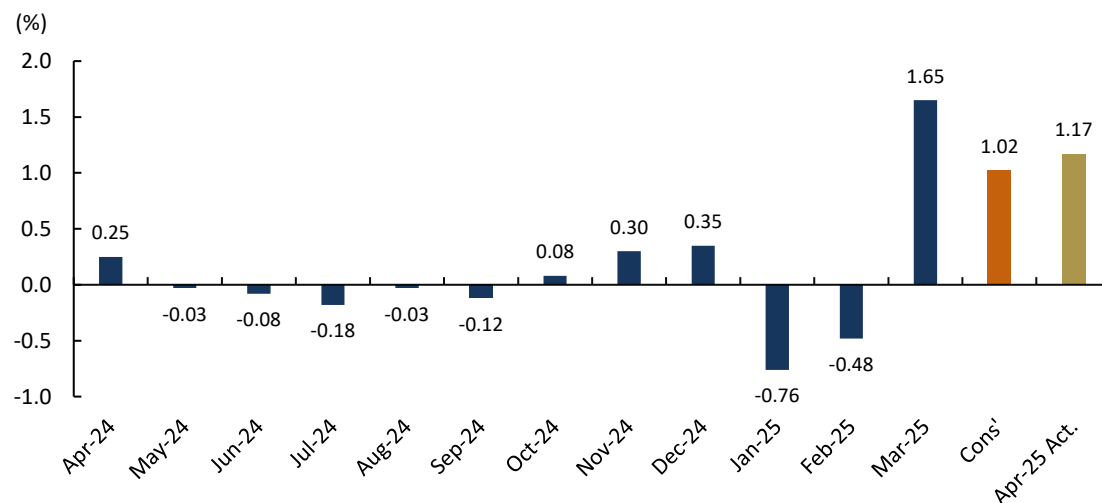


Indonesia April Inflation: 2 May 2025

- Indonesia's inflation accelerated to 1.95% (YoY) in Apr-25, the highest since Aug-24, driven primarily by higher pass through effects during the Eid festivities. This reading notably exceeded SSI Research's earlier forecast of 1.3%, underscoring sellers' penchant towards implementing pass through price effects, particularly in the lead up to Eid festivities when IDR depreciated during the period. Housing prices sharply reversed their previous deflationary trend, rising 1.60%YoY from a decline of 4.68% in March, following the expiry of the temporary 50% electricity tariff rebate that had suppressed costs during the first two months of the year. Food and health sectors also posted modest accelerations, though price growth moderated slightly in accommodation and restaurants, and contracted in transportation and communication categories.
- Core inflation reached a significant 22-month peak at 2.50%, indicating a buildup of underlying price pressures likely driven by higher import costs due to the weakening currency, despite weak underlying consumer demand based on our anecdotal evidence. The increase in core inflation suggests that businesses may be beginning to pass on increased operational costs to consumers, a dynamic that merits close monitoring as exchange rate volatility persists. Given that core inflation typically responds to longer-term demand pressures, the recent uptick could signal more sustained inflationary momentum if current currency depreciation and global market supply uncertainties persist.
- Looking ahead, inflationary pressures are expected to remain moderate but slightly elevated within Bank Indonesia's targeted range of 1.5% to 3.5%. The central bank will likely maintain its cautious monetary stance, focusing closely on exchange rate stability and inflation expectations. Meanwhile, ongoing geopolitical and trade-related uncertainties add an additional layer of risk, potentially influencing future policy decisions with vigilance necessary to anchor expectations and support Indonesia's economic stability.
- Thus, interest rates may have to remain high caused by IDR vulnerability stemming from global market volatility. Additionally, manageable inflation is likely to mean persistent soft demand in-line with our revised down FY2025 GDP growth to 4.8 from 4.97% previously, reflecting cautiously optimistic economic outlook.

Inflation MoM



Inflation Based on Spending Category YoY

Number	Details	Inflation	Contribution to Inflation
	Headline Inflation	1.95	1.95
1	Food, Beverages and Tobacco	2.17	0.64
2	Personal care and other services	9.93	0.62
3	Housing, water, electricity and household fuels	1.60	0.25
4	Food beverages services/restaurants	2.14	0.21
5	Education services	1.88	0.11
6	Clothing and Footwear	0.91	0.05
7	Furnishings, household equipment and routine household maintenance	0.88	0.05
8	Health	1.83	0.05
9	Recreation, sport and culture	1.25	0.02
10	Transport	-0.11	-0.01
11	Information, communication and financial services	-0.64	-0.04

Inflation YoY

