

Indonesia: April inflation remains elevated, BI to stay hawkish

While inflation came in below consensus last month, it remains elevated, suggesting Bank Indonesia will stay hawkish in the near term



Indonesia's central bank governor Perry Warjiyo

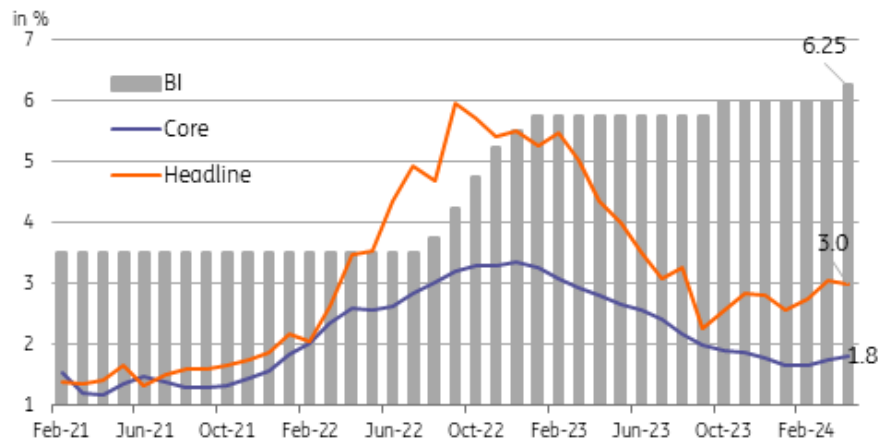
3.0% April YoY change in CPI

Lower than expected

April inflation settles at 3%

Indonesia's CPI inflation rose 3.0% year-over-year in April, slightly lower than the market consensus. Prices rose 0.25% from the previous month while core inflation was largely unchanged from the previous month, rising 1.8% YoY. Slightly slower inflation for food, beverage and tobacco (FBT) helped push headline inflation lower. Meanwhile, inflation for transport items and personal care accelerated from the previous month. April's inflation reading takes average inflation for the year to 2.8% YoY, slightly higher than the central bank's inflation target midpoint of 2.5%.

Inflation stays at uncomfortably elevated level, keeping BI hawkish in near term



Source: Badan Pusat Statistik

Still-elevated headline inflation to keep BI hawkish

Bank Indonesia hiked policy rates unexpectedly last month after the rupiah came under heavy depreciation pressure. Governor Perry Warjiyo took on a hawkish tone at the most recent policy meeting, no longer mentioning his openness to cut rates this year.

We believe the bar for additional policy tightening remains high. However, potential bouts of extreme depreciation pressure on the IDR could prod the central bank to tighten policy before the end of the year. Today's inflation report should keep BI on its toes with BI likely retaining its hawkish leaning for now.

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