

Indonesia: Headline inflation dips again in April

Price pressures continue to fade in Indonesia. Could Bank Indonesia (BI) be considering a pivot soon?



Indonesia's central bank governor Perry Warjiyo

4.3% YoY April CPI inflation

Lower than expected

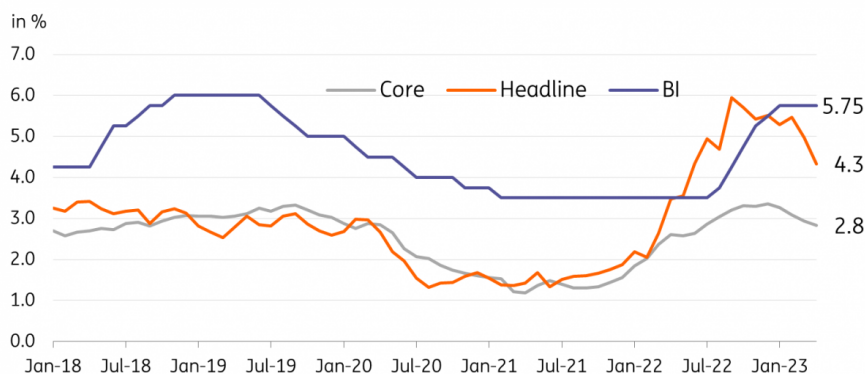
Headline inflation slowed to 4.3%

Price pressures continue to fade in Indonesia with the latest headline inflation reading sliding to 4.3% year-on-year, down from the 5.0%YoY reading in the previous month. Almost all subsectors reported slowing inflation in April with only clothing and footwear registering a slight uptick in inflation to 1.8%YoY from 1.2% in March. The all-important food subsector saw inflation dip to 4.6%YoY, falling from 6.1% in March.

Meanwhile, core inflation also edged lower from 2.9%YoY to 2.8%YoY, slipping below the midpoint

of the central bank’s inflation target for a second month now. With price pressures fading, we could see inflation remain well-behaved in the coming months.

Headline inflation inches back toward BI's inflation target band



Source: Badan Pusat Statistik

Do inflation trends point to eventual central bank move?

Bank Indonesia paused earlier in the year after both core and headline inflation eased from their respective peaks and has kept the policy rate at 5.75% since. With price pressures moderating further, and with headline inflation inching closer to the central bank’s target, we believe BI will be considering a shift to a more accommodative stance in the coming months.

Fading inflation and a relatively well-behaved currency could be enough to convince the BI to bring forward the start of its easing cycle to the third quarter.

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