Indonesia: Headline inflation ticks higher in November

Indonesia's inflation inched higher in November, slightly faster than expected due to food costs

Sudirman Central Business District in Jakarta, Indonesia

2.9%

YoY November inflation

Higher than expected

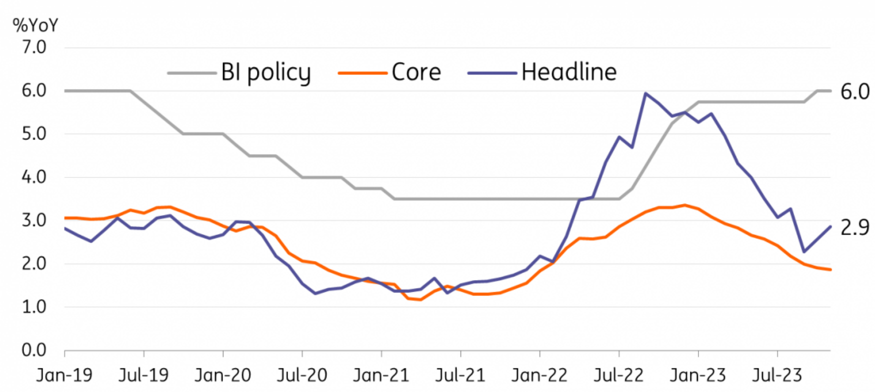
November inflation rises to 2.9%

Indonesia's headline inflation rose to 2.9% YoY, slightly faster than expected and up from the previous month at 2.6% YoY. From the previous month, prices rose 0.4%, also faster than market expectations.

The main reason for the pickup in headline inflation was the 6.7% YoY acceleration in basic food prices and a slight increase in transport costs (1.3% YoY). Most other subcategories posted slightly slower inflation readings compared to the previous month.

Imported inflation remains a constant threat for Indonesia, with the IDR coming under substantial pressure of late after the trade surplus narrowed in 2023.

Inflation rises due food prices



Source: Badan Pusat Statistik and Bank Indonesia

Bank Indonesia signals hawkish bias

Despite expectations for the Bank Indonesia (BI) to consider cutting rates to support growth, we believe the central bank will need to hold their current stance for some time. Recent comments form BI Governor Warjiyo suggest his preference to retain rates at current levels, precisely because of an expected uptick for inflation in the coming months.

Global food prices are likely to remain vulnerable to spikes in early next year with the El Nino weather phenomenon to persist until April 2024. Thus we expect BI to retain policy rates for some time to help support the IDR and limit price pressures emanating from imported inflation.

Author

Nicholas Mapa
Senior Economist, Philippines
nicholas.antonio.mapa@asia.ing.com