

## Indonesia: Inflation dips again in November

Price pressures in Indonesia remain muted, supporting our expectations for further Bank Indonesia stimulus in the short term.



Source: Shutterstock

**3.0%** November CPI inflation

Lower than expected

### Headline and core inflation dip in November

Price pressures remain subdued for Indonesia, with November registering the third straight month where inflation has dipped. Slowing economic growth and subdued energy prices helped keep price gains within target. The latest reading brings the year-to-date inflation print to 3.1%, at the lower end of Bank Indonesia's (BI) target range of 2.5-4.5%. Core inflation was on a downtrend as well, suggesting that inflation will remain less of a worry in coming months. Basic and processed food costs were both slightly higher than in the previous month but decelerating housing and

transport costs weighed more heavily on the overall headline figure.

## Data matches dovish Warjiyo

Governor Warjiyo delivered relatively [dovish comments last Friday](#), indicating that the central bank had retained its "accommodative" stance in order to help support sagging growth momentum. With inflation data remaining subdued, we continue to believe that governor Warjiyo has ample scope to cut policy rates further in early 2020 to give the Indonesian economy a shot in the arm. In the near term the lower-than-expected inflation print could push IDR to weaken slightly, given our expectation of a dovish BI while investors await the fate of the phase one deal.