

Indonesia: Inflation edges up but stays within target

Indonesia's inflation saw a slight uptick but remained within target. The central bank is likely to extend its pause



Sudirman Central Business District in Jakarta, Indonesia

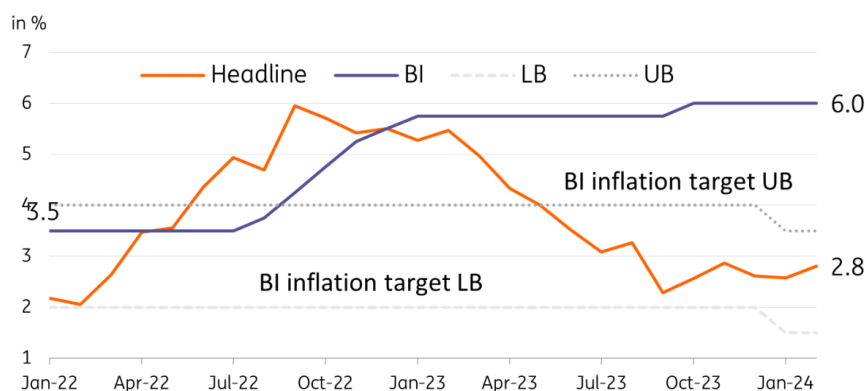
19.3% Rice price change (YoY)

February inflation ticks higher to 2.8%

Indonesia's February inflation picked up by 2.8% year-on-year, up 0.4% from the previous month. This was faster than anticipated as food inflation accelerated by 6.4% YoY, up from the 5.8% YoY rise in the previous month.

In particular, rice inflation remained elevated, surging by 19.3% YoY, enough to push inflation for the entire food subcomponent higher. In addition, healthcare, transport and personal care also saw slightly faster inflation than in the previous month. Meanwhile, all other CPI subsectors posted slower inflation, notably in clothing and footwear and household equipment.

Inflation ticks higher on surging rice prices



Source: Badan Pusat Statistik

BI likely to extend hold, look past recent uptick

Bank Indonesia (BI) recently pushed back on expectations that the central bank would be cutting policy rates in the near term. Governor Perry Warjiyo noted that although there was space to ease policy rates in 2024, he remained wary over a potential pickup in inflation in the first half of the year. On top of waiting for inflation to cool, BI will also likely base its decision to ease on the stability of the Indonesian rupiah.

Thus we maintain our expectation for a potential BI rate cut in the third quarter but only if pressure on the IDR eases and inflation remains well within the new inflation target of 1.5-3.5%.

Author

Nicholas Mapa

Senior Economist, Philippines

nicholas.antonio.mapa@asia.ing.com

Disclaimer

This publication has been prepared by the Economic and Financial Analysis Division of ING Bank N.V. ("ING") solely for information purposes without regard to any particular user's investment objectives, financial situation, or means. *ING forms part of ING Group (being for this purpose ING Group N.V. and its subsidiary and affiliated companies).* The information in the publication is not an investment recommendation and it is not investment, legal or tax advice or an offer or solicitation to purchase or sell any financial instrument. Reasonable care has been taken to ensure that this publication is not untrue or misleading when published, but ING does not represent that it is accurate or complete. ING does not accept any liability for any direct, indirect or consequential loss arising from any use of this publication. Unless otherwise stated, any views, forecasts, or estimates are solely those of the author(s), as of the date of the publication and are subject to change without notice.

The distribution of this publication may be restricted by law or regulation in different jurisdictions and persons into whose possession this publication comes should inform themselves about, and observe, such restrictions.

Copyright and database rights protection exists in this report and it may not be reproduced, distributed or published by any person for any purpose without the prior express consent of ING. All rights are reserved. ING Bank N.V. is authorised by the Dutch Central Bank and supervised by the European Central Bank (ECB), the Dutch Central Bank (DNB) and the Dutch Authority for the Financial Markets (AFM). ING Bank N.V. is incorporated in the Netherlands (Trade Register no. 33031431 Amsterdam). In the United Kingdom this information is approved and/or communicated by ING Bank N.V., London Branch. ING Bank N.V., London Branch is authorised by the Prudential Regulation Authority and is subject to regulation by the Financial Conduct Authority and limited regulation by the Prudential Regulation Authority. ING Bank N.V., London branch is registered in England (Registration number BR000341) at 8-10

Moorgate, London EC2 6DA. For US Investors: Any person wishing to discuss this report or effect transactions in any security discussed herein should contact ING Financial Markets LLC, which is a member of the NYSE, FINRA and SIPC and part of ING, and which has accepted responsibility for the distribution of this report in the United States under applicable requirements.

Additional information is available on request. For more information about ING Group, please visit <http://www.ing.com>.