

CPI Inflation: In the doldrums

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Executive Summary

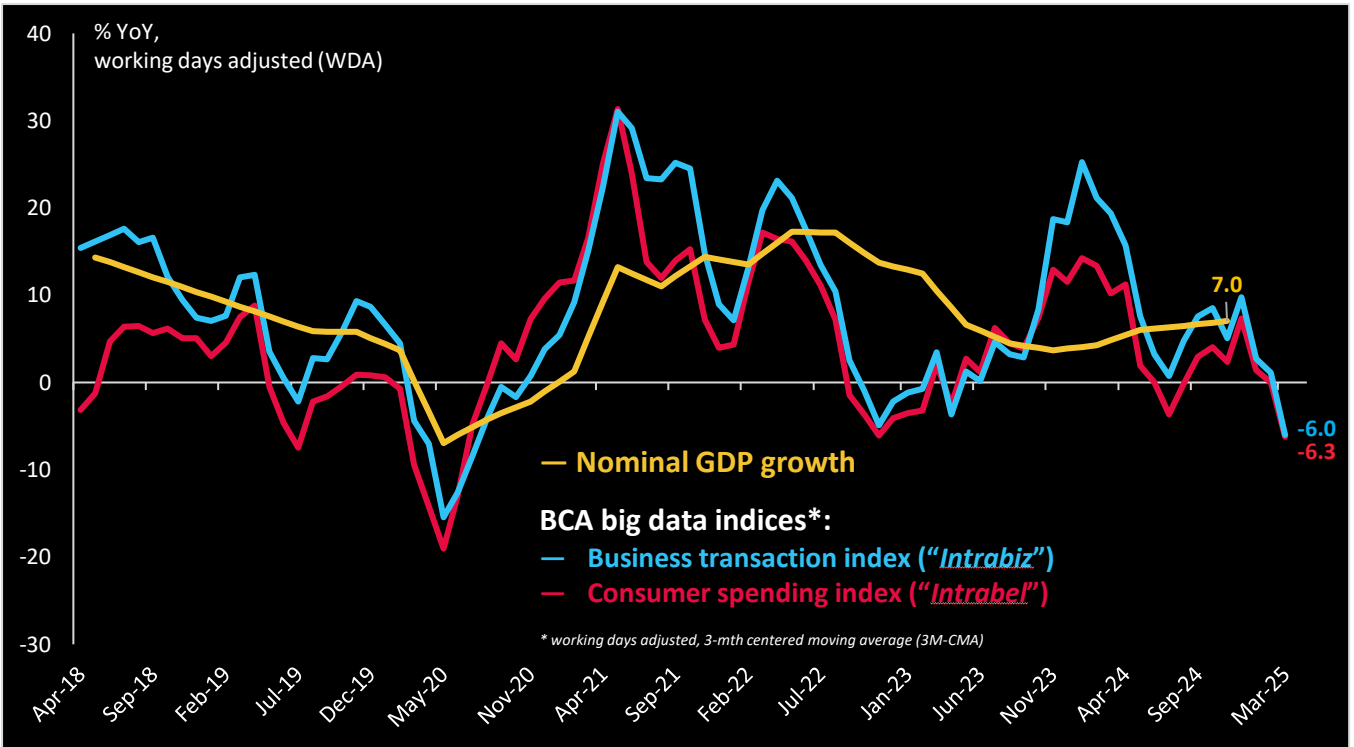
- Inflation rate went up to 1.03% YoY and 1.65% MoM in Mar-25 as prepaid electricity discount lapsed, but the underlying (ex-electricity, ex-gold) trend remains stable
- Ramadan effect on inflation has been limited, with some food inflation but transport deflation related to weaker travel demand.
- Global tariffs are likely to be deflationary due to lower commodity prices and re-routing of excess supply, but BI's room to cut rates remains constrained by Fed policy and pressures on Rupiah.

- Inflation rebounded in Mar-25 (1.03% YoY and 1.65% MoM) as electricity discounts lapsed, although discounts for post-paid users are still counted in BPS methodology. Excluding the effects of the electricity discount as well as gold price rally, Indonesia's inflation rate would be 1.57% YoY & 0.42% MoM.
- Overall, the ex-electricity, ex-gold headline inflation has been on a decline since January, but ex-gold core inflation has been remarkably stable (Mar-25: 1.79% YoY). This points to an underlying stability in the overall inflation dynamics, despite the wild swings from foodstuffs, gold, and administered prices in recent months.
- Volatile foodstuff inflation spiked (1.96% MoM), due to increase in the prices of shallots, chilis, and fish. Still, the spike was relatively mild for Ramadan, while the annual figure (0.37% YoY) remains low thanks to base effect from high rice prices last year. Ample stocks as well as the upcoming/ongoing harvest season limits upside risk for rice, despite import restrictions.
- In contrast to the trend in previous years, transportation experienced slight monthly deflation (-0.08% MoM) during the Lebaran (Eid Al-Fitr) holidays. Some of these effects are attributable to various travel discounts from the government (including VAT discounts on airline tickets). However, this year had also seen a sharp decline in traveler numbers (146.48 Mn in 2025 vs 193.6 Mn in 2024) absent any external shocks like the COVID pandemic, giving further indication of softer purchasing power.
- Tariffs, while likely inflationary for the US, is likely to be deflationary for Indonesia. This is due to (1) lower commodity prices, and (2) re-routing of excess supply (especially from China) to Indonesian markets. These effects will probably offset inflationary risks from (1) Rupiah depreciation, and (2) potential food/climate-related disruptions.
- We see Indonesia as not being particularly exposed directly to the 32% "reciprocal" tariffs, since exports to US account for only 1.88% of GDP in 2024. Nonetheless, there are broader

indirect effects on the balance of payments (BoP), which could see lower export receipts as well as weaker inflows of FDI and portfolio investments.

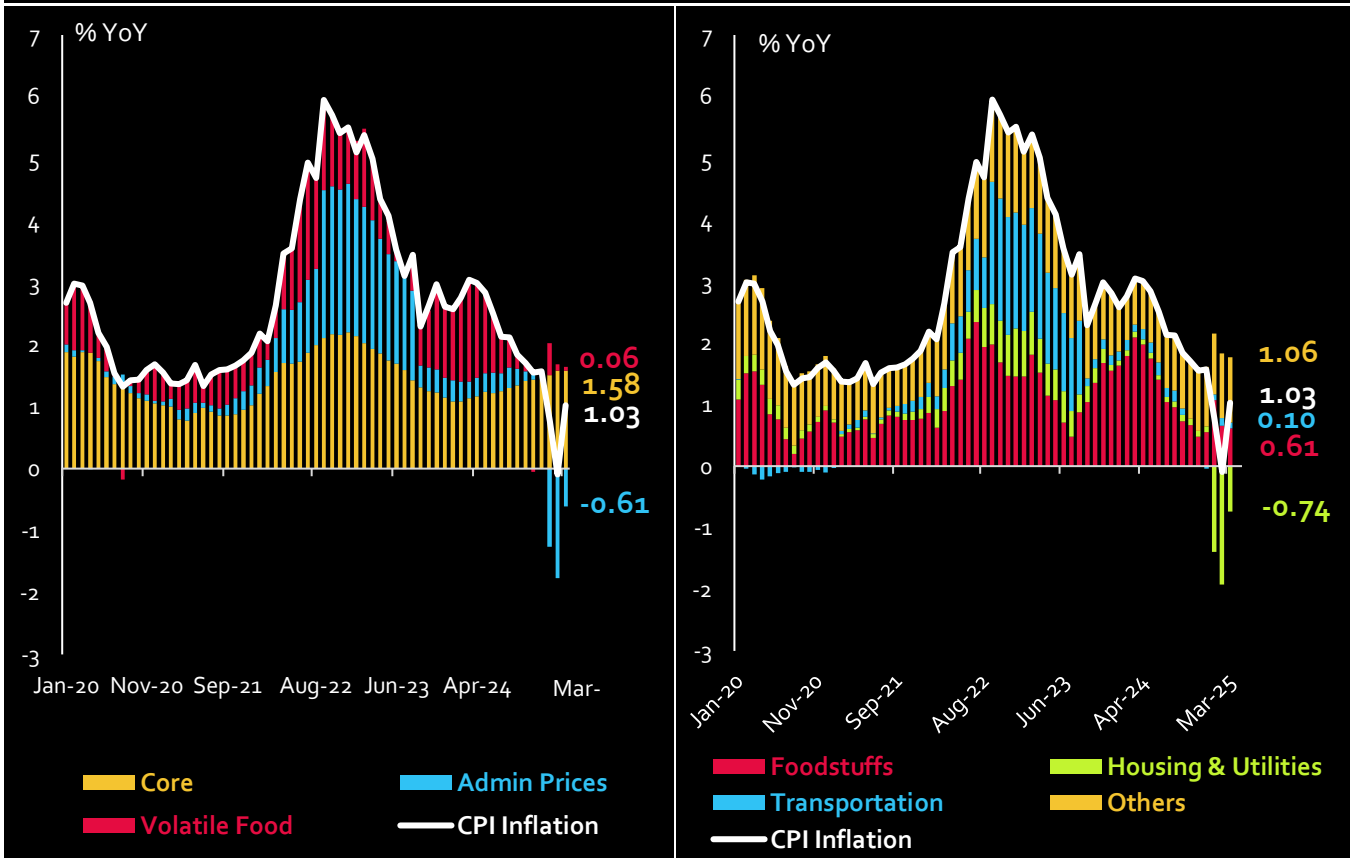
- Overall, however, the impact of Trump's tariffs on Indonesia is likely less dramatic compared to other Asian countries, as some of the potential effects (falling commodity prices, slower nominal GDP and liquidity growth, Rupiah depreciation) have already materialized in recent months. Furthermore, Indonesia has not been a major participant of transshipment/rerouting of Chinese exports in recent years, as is the case for Vietnam or Cambodia.
- The prospects of further rate cut(s) by BI continues to hinge on the Rupiah, and the fallout from the tariff fiasco is likely to postpone any potential cuts further. For the moment, then, any exogenous stimulus will have to come from the expediting of pre-existing programs such as the free school meal (MBG) and food estate, as well as additional liquidity from BI's KLM facility for the housing sector, which begins this month.

Chart 1. Transaction volume declined due to high base effect the previous year



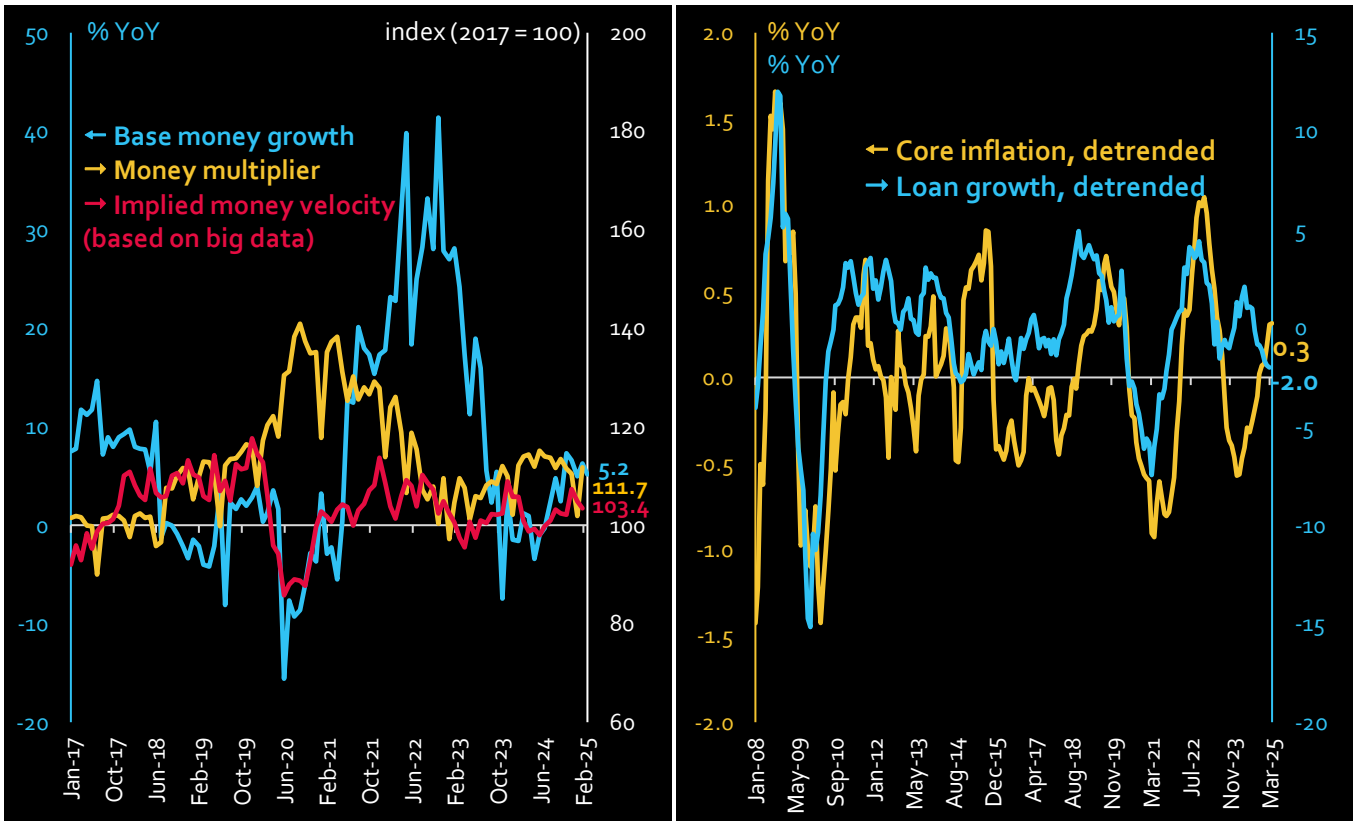
Source: BCA Big Data, calculation by BCA Economic Research

Panel 1. Inflation jumped due to ending electricity discount on pre-paid customers



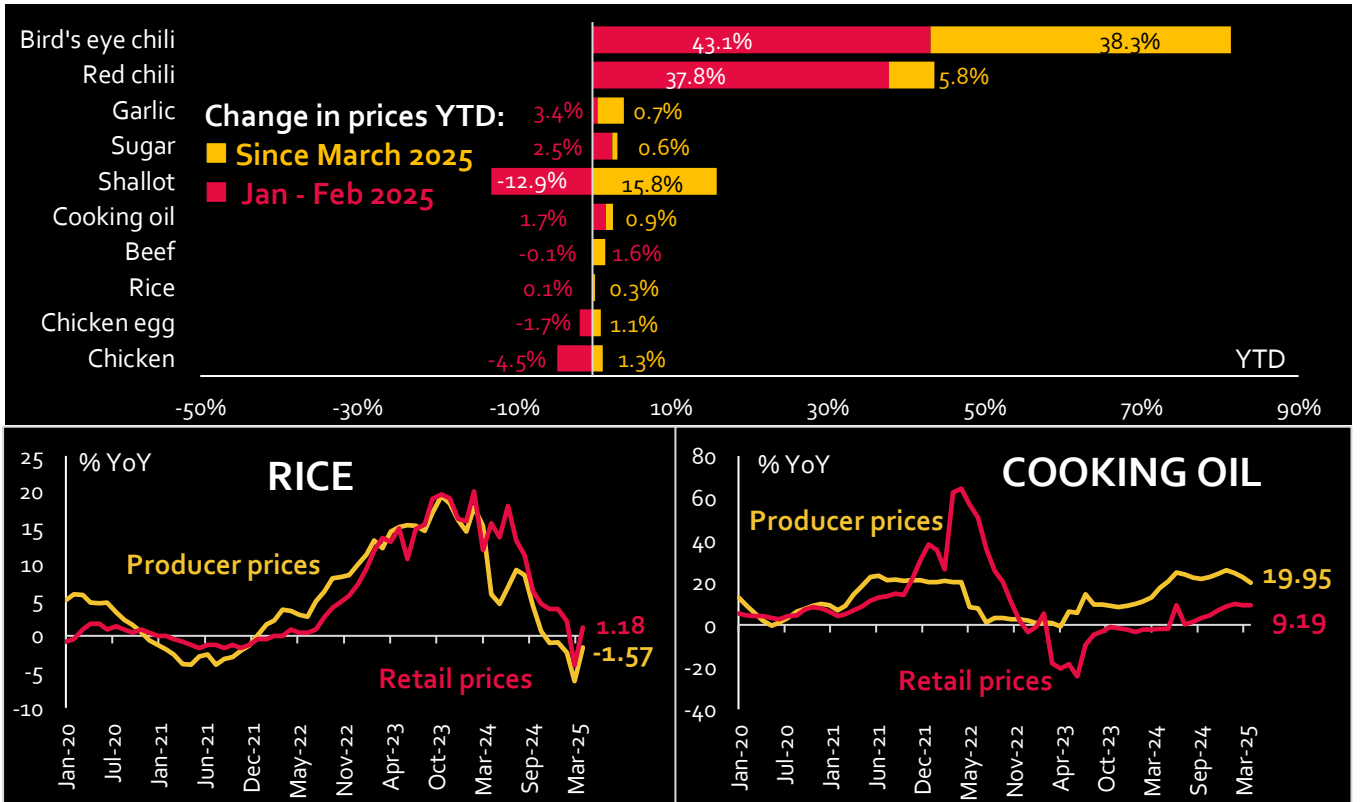
Source: BPS, calculation by BCA Economic Research

Panel 2. Money velocity slowed slightly as core inflation rose on the back of gold rally



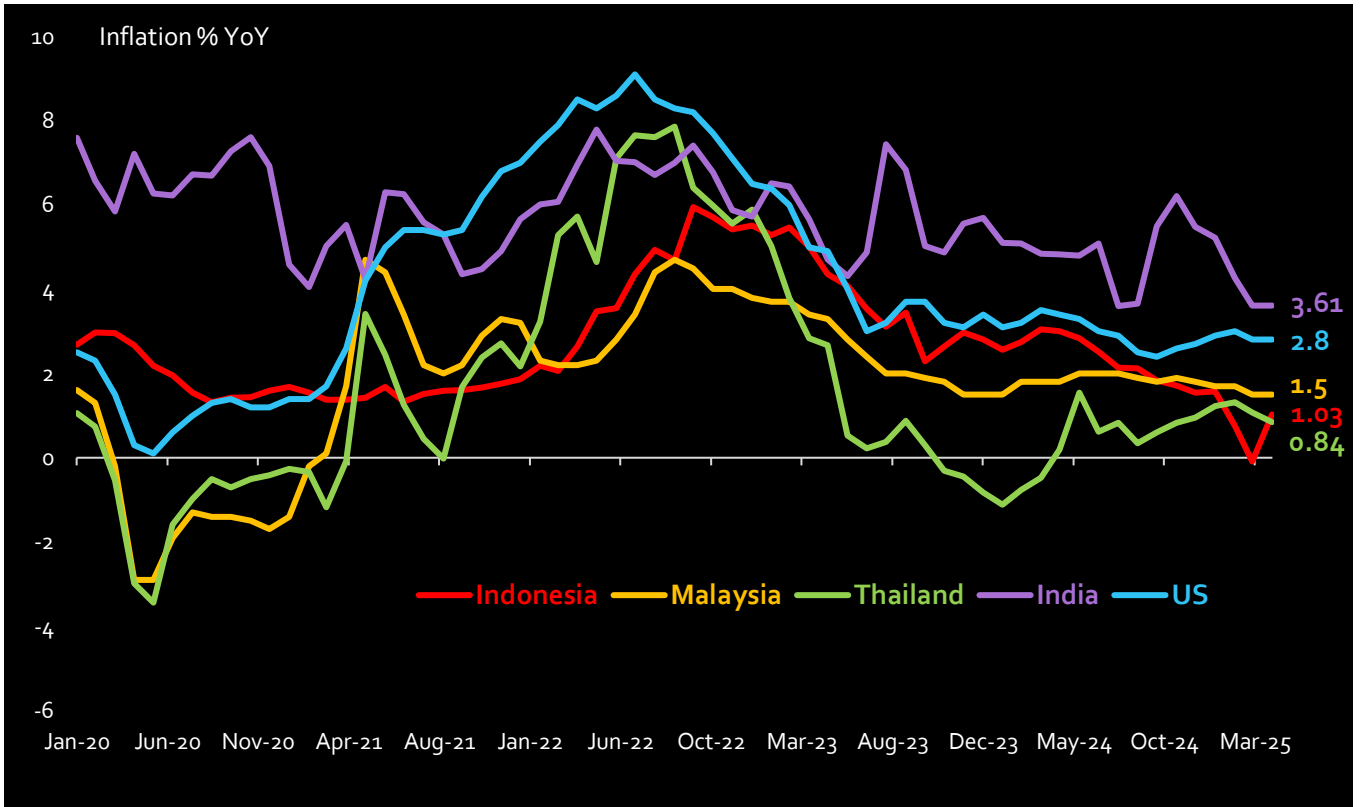
Source: BI, OJK, BCA big data, calculation by BCA Economic Research

Panel 3. Chili prices have surged due to recent floods while rice prices remain stable



Source: Ministry of Trade, BPS

Panel 4. Global tariffs are expected to significantly increase US inflation



Source: Bloomberg

Selected Macroeconomic Indicators

Key Policy Rates	Rate (%)	Last Change	Real Rate (%)	Trade & Commodities	27-Mar	-1 mth	Chg (%)
US	4.50	Dec-24	1.70	Baltic Dry Index	1,621.0	1,002.0	61.8
UK	4.50	Feb-25	1.70	S&P GSCI Index	562.3	567.1	-0.9
EU	2.65	Mar-25	0.45	Oil (Brent, \$/bbl)	74.0	74.8	-1.0
Japan	0.50	Jan-25	-3.20	Coal (\$/MT)	111.4	113.3	-1.7
China (lending)	2.00	Sep-24	5.05	Gas (\$/MMBtu)	3.87	3.86	0.3
Korea	2.75	Feb-25	0.65	Gold (\$/oz.)	3,057.3	2,951.7	3.6
India	6.25	Feb-25	2.64	Copper (\$/MT)	9,800.2	9,489.5	3.3
Indonesia	5.75	Jan-25	4.72	Nickel (\$/MT)	16,023.4	15,235.4	5.2
Money Mkt Rates	27-Mar	-1 mth	Chg (bps)	CPO (\$/MT)	1,055.3	1,086.3	-2.9
				Rubber (\$/kg)	1.98	2.08	-4.8
Bank Rates (Rp)	Jan	Dec	Chg (bps)	External Sector	Feb	Jan	Chg (%)
SPN (1Y)	6.01	6.03	-1.8	Export (\$ bn)	21.98	21.43	2.58
SUN (10Y)	6.99	6.77	21.8	Import (\$ bn)	18.86	17.94	5.18
INDONIA (O/N, Rp)	6.67	5.83	84.1	Trade bal. (\$ bn)	3.12	3.49	-10.75
JIBOR 1M (Rp)	6.38	6.38	0.4	Central bank reserves (\$ bn)*	154.5	156.1	-1.01
Lending (WC)	8.62	8.62	0.57	Prompt Indicators	Feb	Jan	Oct
Deposit 1M	4.87	4.92	-4.27	Consumer confidence index (CCI)	126.4	127.2	121.1
Savings	0.68	0.68	-0.18	Car sales (%YoY)	0.0	-11.3	-3.7
Currency/USD	27-Mar	-1 mth	Chg (%)	Motorcycle sales (%YoY)	0.0	-6.0	5.4
UK Pound	0.772	0.792	2.57	Manufacturing PMI	Mar	Feb	Chg (bps)
Euro	0.926	0.955	3.18	USA	50.2	52.7	-250
Japanese Yen	151.1	149.7	-0.88	Eurozone	48.6	47.6	100
Chinese RMB	7.262	7.246	-0.22	Japan	48.4	49.0	-60
Indonesia Rupiah	16,560	16,275	-1.72	China	51.2	50.8	40
Capital Mkt	27-Mar	-1 mth	Chg (%)	Korea	49.1	49.9	-80
JCI	6,510.6	6,749.6	-3.54	Indonesia	52.4	53.6	-120
DJIA	42,299.7	43,461.2	-2.67	Foreign portfolio ownership (Rp Tn)	Mar	Feb	Chg (Rp Tn)
FTSE	8,666.1	8,659.0	0.08	Stock	3,144.7	3,083.7	61.05
Nikkei 225	37,800.0	38,776.9	-2.52	Govt. Bond	891.9	890.2	1.72
Hang Seng	23,578.8	23,341.6	1.02	Corp. Bond	5.2	5.1	0.06

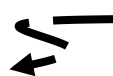
Source: Bloomberg, BI, BPS

Notes:

*Data from earlier period

For changes in currency: **Black indicates appreciation against USD, **Red** otherwise

***For PMI, >50 indicates economic expansion, <50 otherwise



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Indonesia – Economic Indicators Projection

	2019	2020	2021	2022	2023	2024	2025E
Real GDP growth (% YoY)	5.0	-2.1	3.7	5.3	5.0	5.0	4.8
Nominal GDP growth (% YoY)	6.7	-2.5	9.9	15.4	6.7	6.0	5.7
GDP per capita (USD)	4175	3912	4350	4784	4920	4960	4996
CPI inflation (% YoY)	2.7	1.7	1.9	5.5	2.6	1.6	2.1
BI Rate (%)	5.00	3.75	3.50	5.50	6.00	6.00	5.50
SBN 10Y yield (%)	7.04	5.86	6.36	6.92	6.45	6.97	7.68
USD/IDR exchange rate (end of year)	13,866	14,050	14,262	15,568	15,397	16,102	16,943
Trade balance (USD Bn)	-3.2	21.7	35.3	54.5	37.0	31.0	26.0
Current account balance (% of GDP)	-2.7	-0.4	0.3	1.0	-0.1	-0.6	-1.0

Notes:

- USD/IDR exchange rate projections are for fundamental values; market values may diverge significantly at any moment in time

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