CPI:

Slowly creeping up

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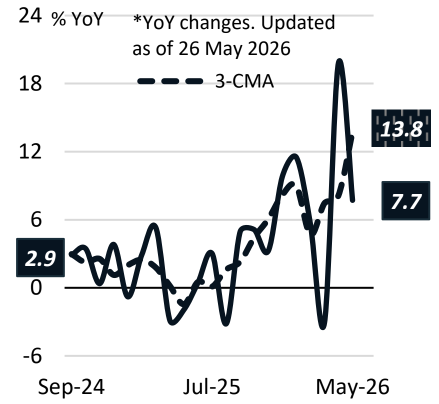
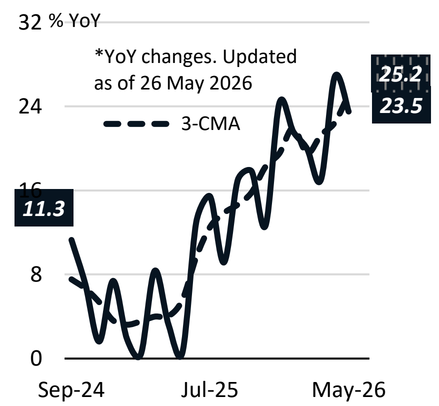
BCA Consumer Spending Index*

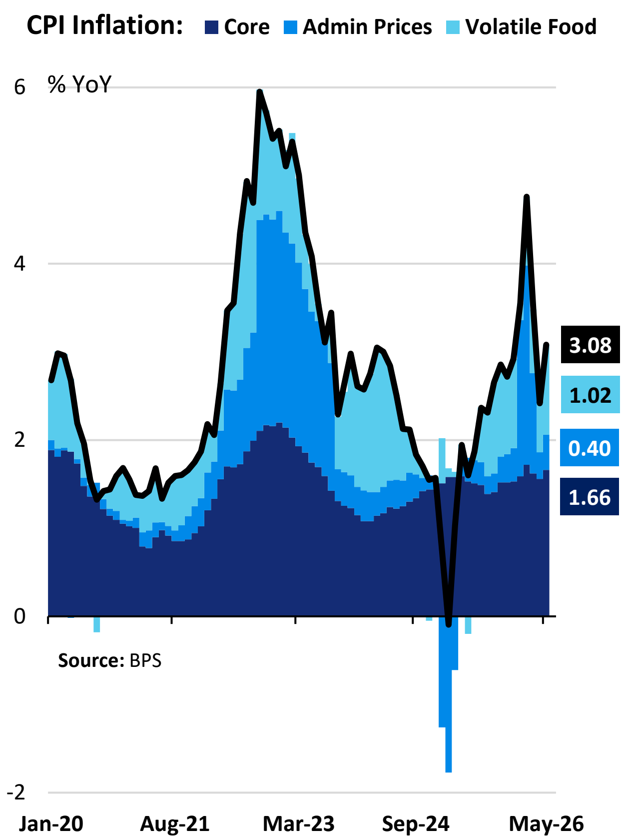


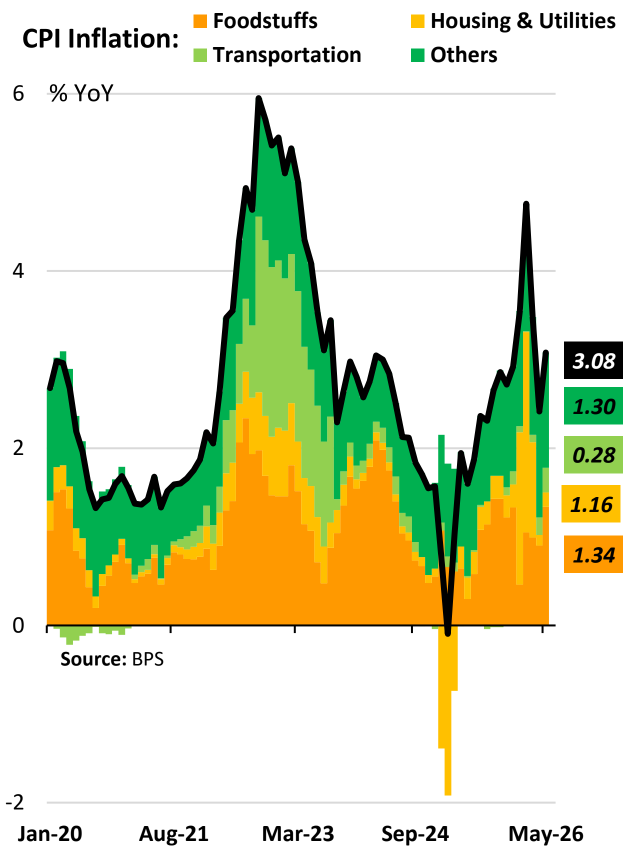
BCA Business Transaction Index*



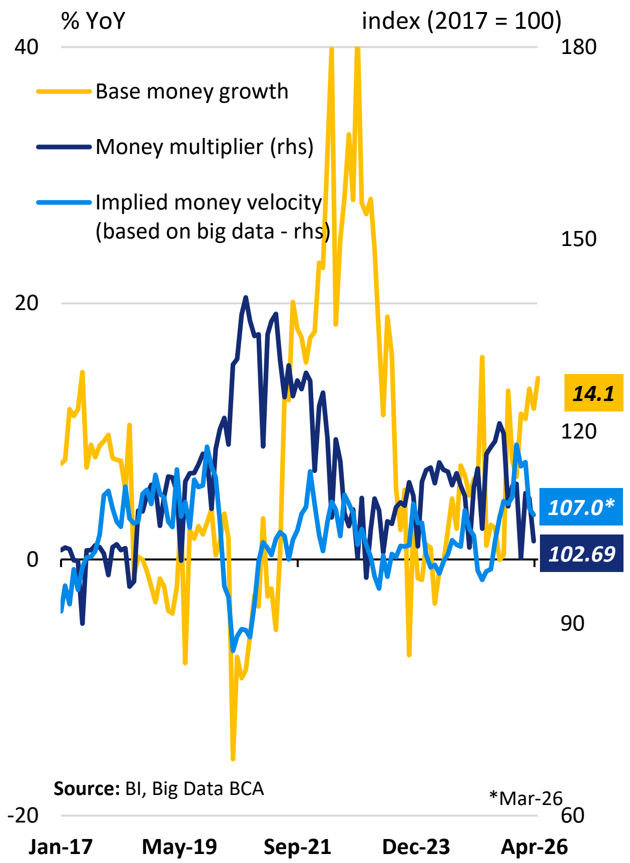
- **Indonesia's CPI inflation reached 3.08% YoY (0.28% MoM) in May-26**, accelerating from 2.42% YoY (0.13% MoM) during April. While the yearly rate was mainly driven by a low-base effect of volatile foods prices, the ongoing Middle East conflict has exerted greater influence on the overall inflation figure.
- **The relatively high monthly inflation reflected the impact of the energy shock.** Amongst the 3 major categories, administered prices recorded the sharpest rise (0.52% MoM), due to a rise in airfare & non-subsidized energy prices. Additional factors for the rise include price spikes for certain foodstuffs, though it's important to note that these components (alongside gold) often exhibit high price swings.
- On a yearly basis, **the effects of the energy shock are starting to gradually creep in.** The uptick in inflation was largely affected by the low-base effect of volatile foods prices during May-25, resulting in a 6.24% YoY rise in May-26. We must also remember the still-present contribution of gold, whose price has fallen in recent months but still represents a significant contribution (0.63% YoY) to yearly inflation. When ruling out these 2 effects, ex-gold core inflation reached 1.65% YoY (vs 1.38% in Apr-26), representing a broad, gradual acceleration in prices, potentially spilling over to credit growth (value-wise).
- Looking ahead, the **inflation posture continues to present a challenge.** There has been no significant progress to the reopening of the Strait of Hormuz so far, with previous talks of potential ceasefires often leading to disappointment. Furthermore, the sharp depreciation trajectory of the Rupiah (declining by 6.5% YtD) would likely lead to further creep up in input costs, eventually forcing producers to hike their price to keep up.
- It is also worthwhile to mention the channels through which energy prices impact inflation. While transportation has a **limited direct contribution** to the CPI print (weighted at only 11.9%), its **indirect contribution through the logistics sector** is quite outsized, considering Indonesia's archipelagic geography. Therefore, the total effect would not be reflected in transportation prices alone, but in general prices as well.
- **This looming inflation specter, then, would likely force BI to keep its hawkish stance for the time being.** We have seen BI becoming increasingly aggressive in defending the Rupiah, with the yield of 12m SRBI reaching 6.92% at the latest auction. Considering BI-rate currently sits at 5.25%, BI could likely hike rates further without significantly harming overall liquidity prospects. **As a result, we currently forecast another 50-bps hike throughout 2026.**

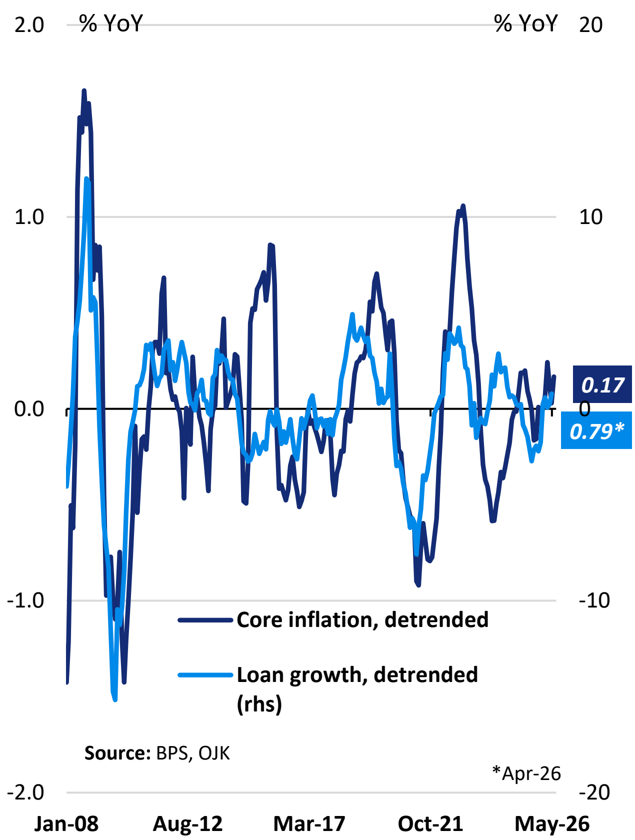
1 Low-base food prices in May-25 led to an uptick in inflation during May-26



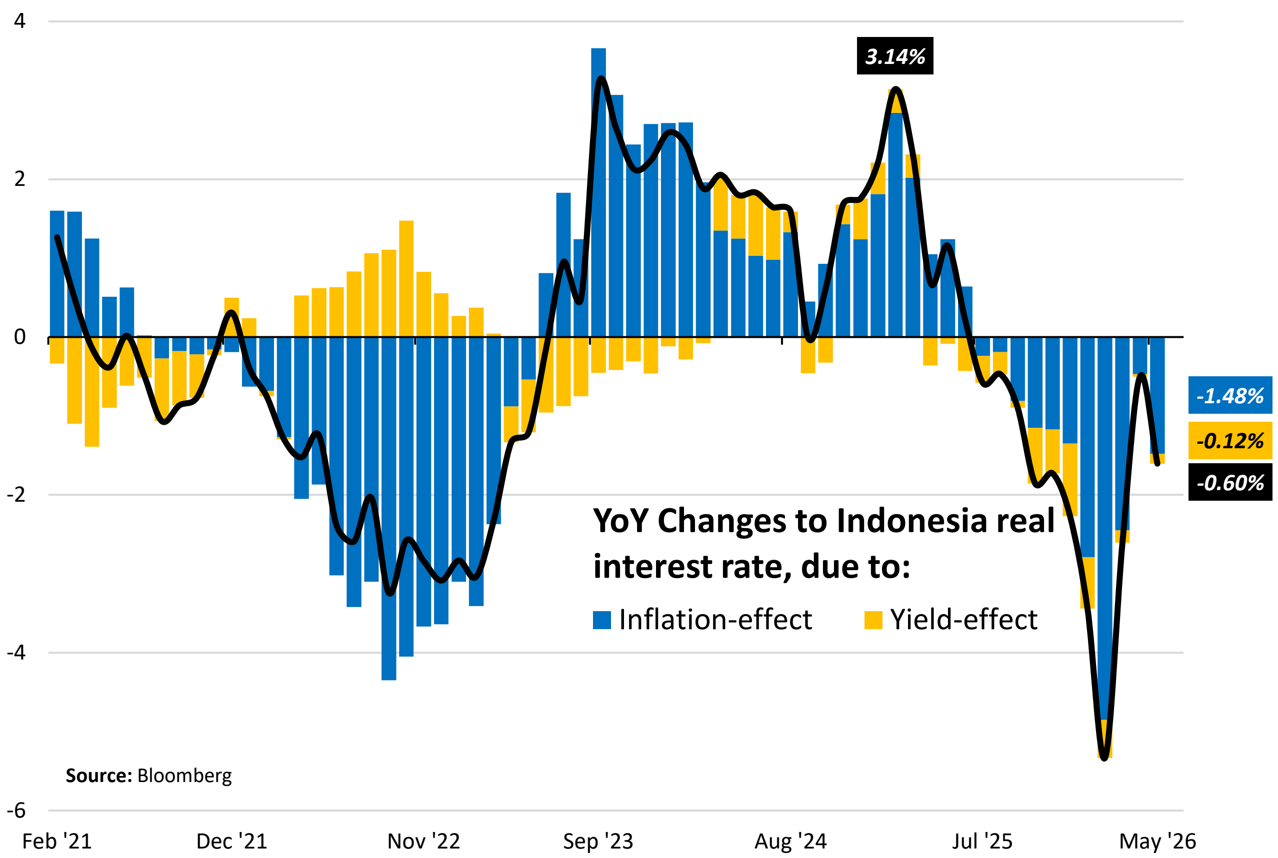


2 Rising ex-gold core inflation opens up potential for rising credit demand (value-wise)

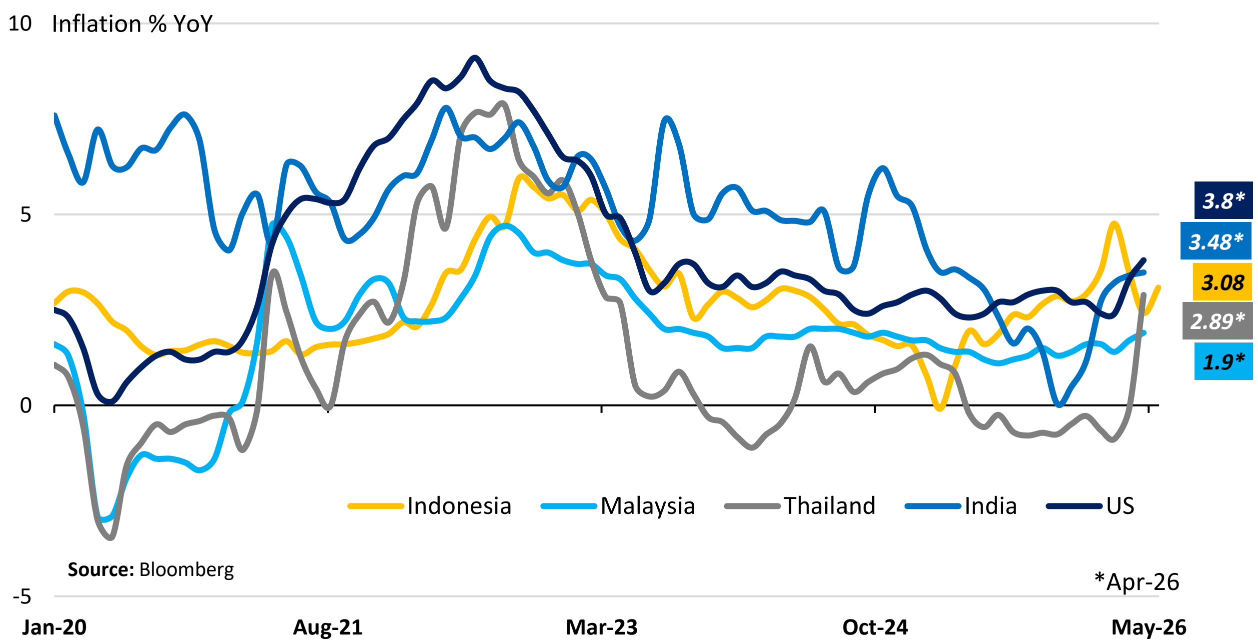




3 Rising inflation remains the prime factor behind Indonesia's declining real interest rate



4 The policy to maintain subsidized energy prices has helped stabilize Indonesia's inflation



Selected Macroeconomic Indicators

Key Policy Rates	Rate (%)	Last Change	Real Rate (%)
US	3.75	Dec-25	-0.05
UK	3.75	Dec-25	0.95
EU	2.15	Jun-25	-0.85
Japan	0.75	Dec-25	-0.65
China (lending)	2.00	Sep-24	3.15
Korea	2.50	May-25	-0.60
India	5.25	Dec-25	1.77
Indonesia	5.25	May-26	2.17

Money Mkt Rates	29-May	-1 mth	Chg (bps)
SPN (1Y)	6.25	5.53	72.1
SUN (10Y)	6.70	6.78	-7.4
INDONIA (O/N, Rp)	5.59	4.43	116.0
JIBOR 1M (Rp)	5.03	5.03	0.0

Bank Rates (Rp)	Mar	Feb	Chg (bps)
Lending (WC)	8.00	8.05	-5.00
Deposit 1M	4.47	4.47	0.00
Savings	0.67	0.68	-1.00

Currency/USD	29-May	-1 mth	Chg (%)
UK Pound	0.743	0.740	-0.45
Euro	0.858	0.854	-0.45
Japanese Yen	159.3	159.6	0.22
Chinese RMB	6.766	6.838	1.05
Indonesia Rupiah	17,874	17,225	-3.63

Capital Mkt	29-May	-1 mth	Chg (%)
JCI	6,127.4	7,072.4	-13.36
DJIA	51,032.5	49,141.9	3.85
FTSE	10,409.3	10,332.8	0.74
Nikkei 225	66,329.5	59,917.5	10.70
Hang Seng	25,182.4	25,679.8	-1.94

Foreign portfolio ownership (Rp Tn)	May	Apr	Chg (Rp Tn)
Stock	2,820.6	3,158.9	-338.29
Govt. Bond	865.2	866.9	-1.77
Corp. Bond	5.8	5.8	-0.01

Trade & Commodities	29-May	-1 mth	Chg (%)
Baltic Dry Index	3,224.0	2,677.0	20.4
S&P GSCI Index	694.6	746.7	-7.0
Oil (Brent, $/brl)	92.1	111.3	-17.3
Coal ($/MT)	140.1	135.5	3.4
Gas ($/MMBtu)	3.34	2.69	24.2
Gold ($/oz.)	4,540.3	4,596.8	-1.2
Copper ($/MT)	13,599.7	12,951.1	5.0
Nickel ($/MT)	18,867.2	19,256.6	-2.0
CPO ($/MT)	1,126.8	1,134.5	-0.7
Rubber ($/kg)	2.33	2.15	8.4

External Sector	Apr	Mar	Chg (%)
Export ($ bn)	25.30	22.53	12.32
Import ($ bn)	25.21	19.21	31.28
Trade bal. ($ bn)	0.09	3.32	-97.32
Central bank reserves ($ bn)*	146.2	148.2	-1.32

Prompt Indicators	Apr	Mar	Feb
Consumer confidence index (CCI)	123.0	122.9	125.2
Car sales (%YoY)	55.0	-13.8	12.3
Motorcycle sales (%YoY)	28.1	-17.1	1.0

Manufacturing PMI	May	Apr	Chg (bps)
USA	55.1	54.5	60
Eurozone	51.6	52.2	-60
Japan	54.5	55.1	-60
China	51.8	52.2	-40
Korea	54.8	53.6	120
Indonesia	50.0	49.1	90

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

	2020	2021	2022	2023	2024	2025	2026E
Real GDP growth (% YoY)	-2.1	3.7	5.3	5.0	5.0	5.1	5.1
Nominal GDP growth (% YoY)	-2.5	9.9	15.4	6.7	6.0	7.6	8.0
GDP per capita (USD)	3912	4350	4784	4920	4960	5083	5457
CPI inflation (% YoY)	1.7	1.9	5.5	2.6	1.6	2.9	3.3
BI Rate (%)	3.75	3.50	5.50	6.00	6.00	4.75	5.75
SBN 10Y yield (%)	5.86	6.36	6.92	6.45	6.97	6.05	6.76
USD/IDR exchange rate (average)	14,529	14,297	14,874	15,248	15,841	16,468	17,392
USD/IDR exchange rate (end of year)	14,050	14,262	15,568	15,397	16,102	16,690	17,607
Trade balance (USD Bn)	21.7	35.3	54.5	37.0	31.0	41.1	25.0
Current account balance (% of GDP)	-0.4	0.3	1.0	-0.1	-0.6	-0.1	-0.9

Notes:

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

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