

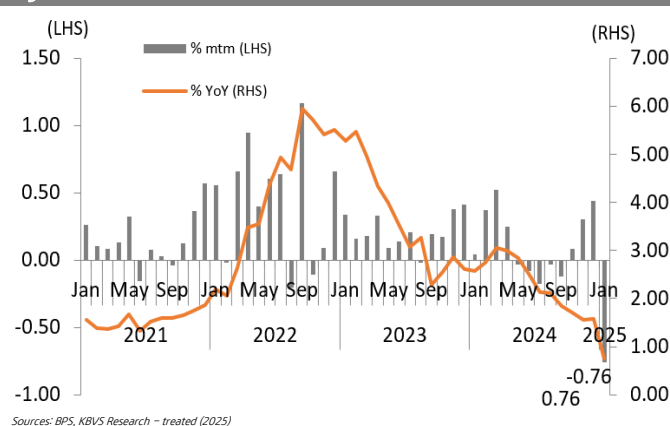
Jan '25 Inflation: January Deflation Driven by Electricity Tariff Discounts

A 50% reduction in electricity tariffs, combined with declining prices of tomatoes, cucumbers, railway fares, and air transport tariffs, contributed to deflation in January 2025, reaching -0.76% MoM or 0.76% YoY (Cons: 0.35% MoM or 1.86% YoY, KBVS: 0.32% MoM or 1.85% YoY, Prev: 0.44% MoM or 1.57% YoY). This trend aligns with a sharp decline in the Administered Price component, which contracted by -7.38% MoM. However, Core Inflation remained positive at 0.30% MoM or 2.36% YoY (Cons: 2.29% YoY, KBVS: 2.43% YoY, Prev: 2.26% YoY), while inflation in Volatile Food Components stood at 2.95% MoM. This was driven by rising prices of red chilies (0.19% MoM), bird’s eye chilies (0.17% MoM), fresh fish and cooking oil (each up 0.03% MoM), broiler chicken meat (0.02% MoM), as well as rice, watermelon, coconut, spinach, water spinach, green chilies, eggplant, carrots, garlic, potatoes, ground coffee, hand-rolled clove cigarettes, and machine-made clove cigarettes, each of which recorded inflation of 0.01% MoM (see Table 1, page 3).

On the same day, the S&P Global Indonesia Manufacturing PMI for Jan '25 climbed to 51.9 (Prev: 51.2), marking the second consecutive month of expansion in factory activity and the strongest growth rate since May '24. Output grew for the third straight month, reaching its highest increase since May '24. While new orders continued to rise, supported by a second consecutive month of growth in foreign demand. Additionally, firms ramped up purchasing activity in anticipation of the fasting month in Mar '25. Employment also increased further, recording its sharpest rise in two and a half years. However, this was not enough to prevent a modest buildup in outstanding work backlogs. On the pricing front, input cost inflation remained elevated despite easing to a three-month low, while output price inflation stayed modest, reaching its lowest level in three months. Overall, business sentiment remained positive, supported by expectations of increased output at manufacturing plants, along with stability in demand and the broader economy.

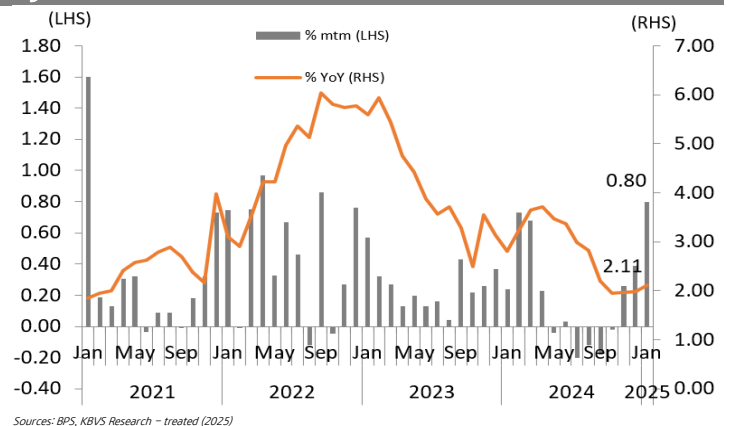
We anticipate continued deflationary pressures in Feb '25, while we also expect the expansionary momentum of the Indonesia’s Manufacturing PMI in the coming months to indicate stronger disposable income and improved consumer purchasing power. Furthermore, consumption typically increases ahead of the seasonal Ramadan and Eid celebrations in Mar '25 and consequently, inflation is expected to return to its normal trajectory in the same month. At the same time, we believe this will help drive economic growth in 1Q25 closer to 5.0% YoY – 5.2% YoY. As a result, we also anticipate room for further BI rate cuts in 2Q25.

Fig 1. CPI (Consumer or Headline) Inflation



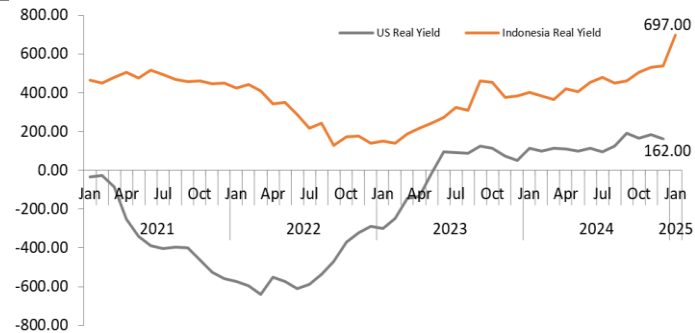
Sources: BPS, KBVS Research – treated (2025)

Fig 2. WPI (Wholesale) Inflation



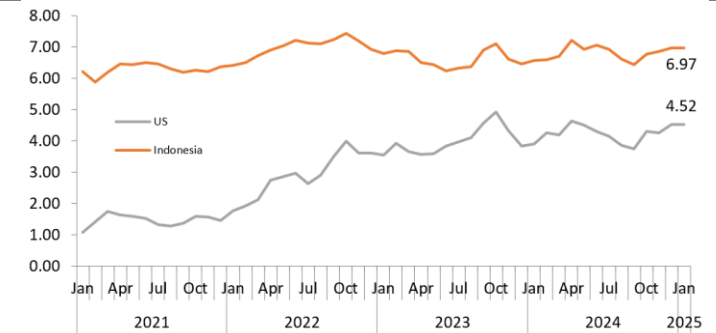
Sources: BPS, KBVS Research – treated (2025)

Fig 3. Real Yield US vs Indonesia (in bps)



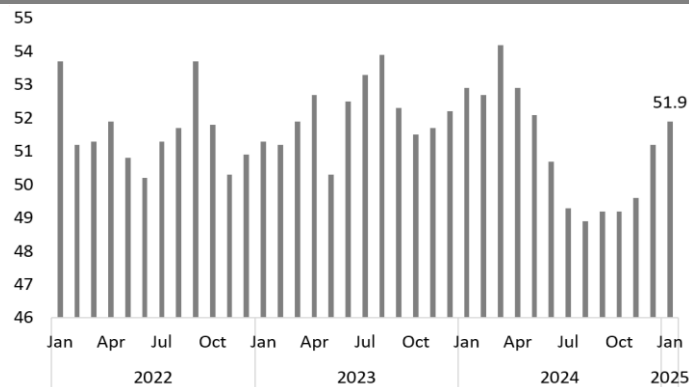
Sources: Bloomberg, KBVS Research - treated (2025)

Fig 4. Yield of 10Yr Government Bond (in %)



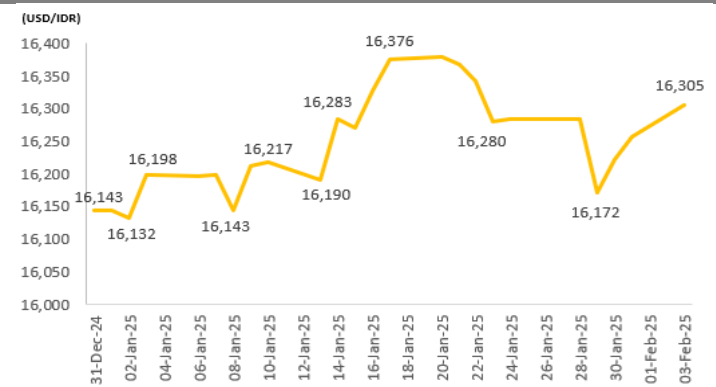
Sources: Bloomberg, KBVS Research - treated (2025)

Fig 5. PMI Manufacturing



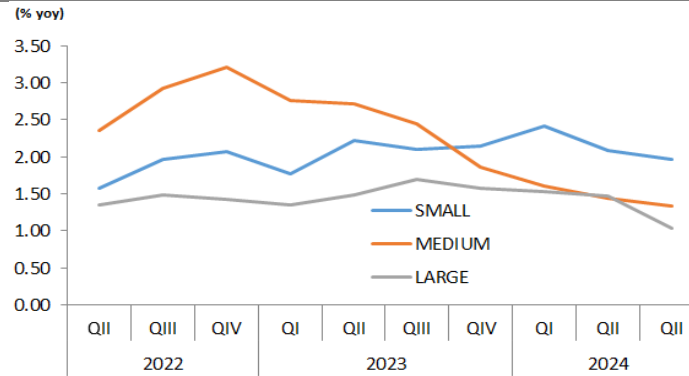
Sources: Market Economics, KBVS Research - treated (2025)

Fig 6. USD/IDR



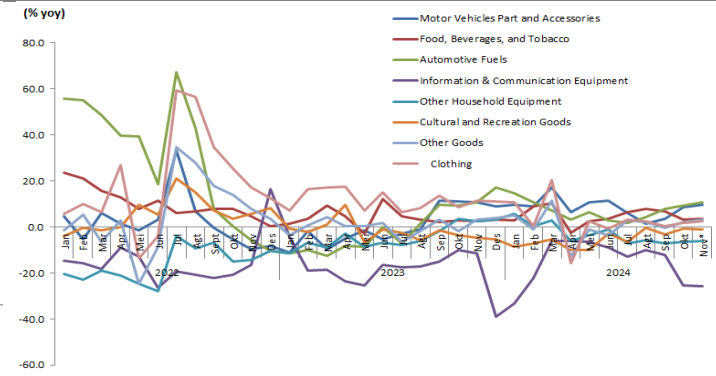
Sources: Bloomberg, KBVS Research - treated (2025)

Fig 7. Residential Property Prices



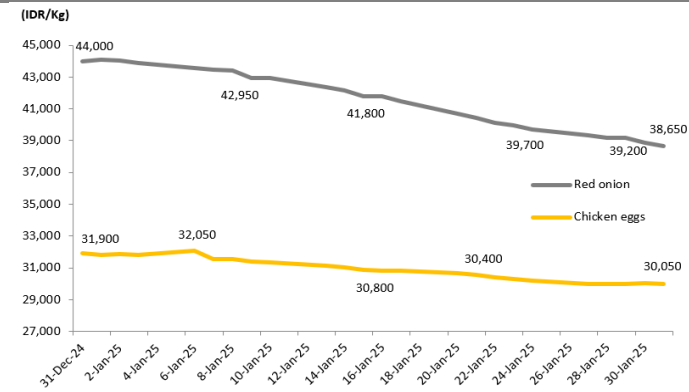
Sources: BI, KBVS Research - treated (2025)

Fig 8. Retail Price Survey



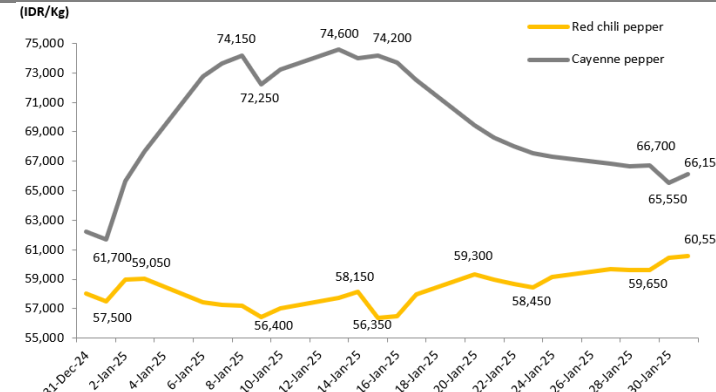
Sources: BI, KBVS Research - treated (2025)

Fig 9. Chicken Eggs & Red Onion Price



Sources: BI, KBVS Research - treated (2025)

Fig 10. Red Chili Pepper & Cayenne Pepper Price



Sources: BI, KBVS Research - treated (2025)

Table 1. CPI, WPI & Farmer Exchange Rate January '25

Indicators	Index		Inflation	
	Latest	M-1	MoM	YoY
Consumer Price Index (CPI)	105.99	106.80	-0.76%	0.76%
Food, Beverages, and Tobacco	112.55	110.41	1.94%	3.69%
Clothing and Footwear	103.48	103.38	0.10%	1.24%
Housing, Water, Electricity, and Household Fuels	93.20	102.60	-9.16%	-8.75%
Equipment, Tools, and Routine Household Maintenance	104.01	103.87	0.13%	1.14%
Health	105.06	104.64	0.40%	1.84%
Transport	109.68	109.48	0.18%	0.76%
Info, Comm. and Financial Services	99.40	99.48	-0.08%	-0.30%
Recreation, Sport and Culture	104.47	104.26	0.20%	1.11%
Education Services	105.06	104.92	0.13%	2.05%
Food and Beverages Services/Restaurants	106.96	106.64	0.30%	2.47%
Personal Care and Other Services	113.90	113.22	0.60%	7.27%
Core inflation	105.67	105.35	0.30%	2.36%
Administered Price	100.77	108.80	-7.38%	-6.41%
Volatile Food	113.65	110.39	2.95%	3.07%
Wholesale Price Index (WPI)	104.20	119.32	-12.67%	-11.50%
Agriculture	106.70	112.69	-5.32%	-5.71%
Mining and Quarrying	101.41	125.99	-19.51%	-19.00%
Manufacturing	103.21	120.87	-14.61%	-13.11%
Farmer Exchange Rate	122.78	123.68	-0.73%	3.81%
Farmers Price Received Index	149.50	150.72	-0.81%	6.11%
Farmers Price Paid Index	121.76	121.87	-0.09%	1.56%

Sources: BPS, KBVS Research - treated (2025)

Table 2. Commodity Price In Traditional Market

No.	Commodity	Price (Rp per Kg)					Monthly Price Change (%, ptp)
		31/ 12/ 2024	07/ 01/2025	14/ 01/2025	21/ 01/ 2025	31/ 01/ 2025	
I	Rice	15,150	15,200	15,250	15,250	15,150	0.00%
1	Lower Quality Rice I	13,950	14,000	14,000	14,000	13,950	0.00%
2	Lower Quality Rice II	13,700	13,800	13,750	13,800	13,650	-0.36%
3	Medium Quality Rice I	15,250	15,300	15,300	15,300	15,150	-0.66%
4	Medium Quality Rice II	15,050	15,150	15,200	15,200	15,100	0.33%
5	Super Quality Rice I	16,600	16,600	16,650	16,650	16,550	-0.30%
6	Super Quality Rice II	16,150	16,150	16,200	16,200	16,100	-0.31%
II	Chicken meat	39,450	39,100	38,850	38,600	38,400	-2.66%
1	Fresh Race Chicken Meat	39,450	39,100	38,850	38,600	38,400	-2.66%
III	Beef	134,900	135,550	135,400	135,250	133,700	-0.89%
1	Quality 1 Beef	138,400	138,950	138,700	138,700	137,050	-0.98%
2	Quality 2 Beef	129,350	130,000	130,400	130,000	128,650	-0.54%
IV	Chicken eggs	31,850	31,550	30,850	30,400	30,000	-5.81%
1	Fresh Chicken Eggs	31,850	31,500	30,850	30,400	30,000	-5.81%
V	Red onion	44,400	43,400	41,800	40,100	39,200	-11.71%
1	Medium Shallot	44,400	43,350	41,850	40,100	39,200	-11.71%
VI	Garlic	45,300	44,950	44,700	44,800	44,200	-2.43%
1	Medium Size Garlic	45,300	44,900	44,700	44,800	44,200	-2.43%
VII	Red chili pepper	57,150	57,200	56,350	58,700	59,650	4.37%
1	Large Red Chili	55,900	55,900	56,300	56,950	58,850	5.28%
2	Curly Red Chili	57,850	57,500	56,600	58,700	59,200	2.33%
VIII	Cayenne pepper	61,350	74,150	74,200	68,050	66,700	8.72%
1	Green Cayenne Pepper	52,350	60,450	60,200	60,750	59,800	14.23%
2	Red Cayenne Pepper	68,100	84,950	85,350	72,850	70,600	3.67%
IX	Cooking oil	20,500	20,650	20,550	20,600	20,600	0.49%
1	Bulk Cooking Oil	18,750	18,700	18,700	18,800	18,700	-0.27%
2	Branded Packaging Cooking Oil 1	21,650	21,850	21,800	21,850	21,800	0.69%
3	Branded Packaging Cooking Oil 2	20,550	20,750	20,700	20,750	20,800	1.22%
X	Sugar	18,650	18,700	18,850	18,950	18,900	1.34%
1	Premium Quality Sugar	19,350	19,400	19,500	19,550	19,550	1.03%
2	Local Sugar	18,050	18,150	18,300	18,400	18,350	1.66%

Sources: BI, KBVS Research - treated (2025)

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