

## Feb '25 Inflation: 2<sup>nd</sup> Consecutive Monthly Deflation

As expected, Indonesia experienced deflation once again in Feb '25, registering at **-0.48% MoM** (Cons: 0.11% MoM, KBVS: **-0.60% MoM**, Prev: **-0.76% MoM**), bringing the annual rate to **-0.09% YoY**. This marks the first yearly headline deflation since Mar '00.

By expenditure category, the primary driver of this deflation came from the **Housing, Water, Electricity, and Household Fuel group, which recorded a sharp -12.08% MoM deflation**. This was largely due to the continued implementation of a 50% electricity tariff discount for customers with a maximum power capacity of 2,200 VA until the end of Feb '25. Additionally, deflationary contributions were recorded in several key commodities, including broiler chicken (**-0.06% MoM**), shallots (**-0.05% MoM**), red chilies (**-0.04% MoM**), as well as bird's eye chilies, tomatoes, broiler eggs, and mobile phones, each contributing **-0.02% MoM**— see *Table 1, p.3*.

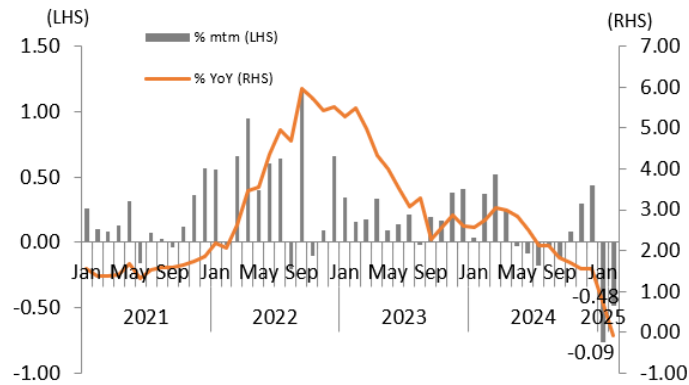
By component, the majority of the deflation was driven by the **Government-Administered Prices group, which recorded a -0.48% MoM deflation**. Conversely, core consumer price inflation (Core CPI) remained positive, rising **0.16% MoM** or **2.48% YoY** (Cons: 2.42% YoY, KBVS: 2.00% YoY, Prev: 2.36% YoY). This was supported by inflationary contributions from piped (PAM) water tariffs (**0.13% MoM**), gold jewelry (**0.08% MoM**), gasoline (**0.03% MoM**), as well as air transportation fares, household fuel, and cars (**0.01% MoM**)— see *Table 1, p.3*.

Despite the decline in headline inflation, **domestic manufacturing costs did not ease**. Instead, input cost inflation accelerated due to higher raw material prices amid unfavorable exchange rates, highlighting the sector's reliance on imported inputs. **Nevertheless, the S&P Global Indonesia Manufacturing PMI rose to 53.6 in Feb '25 (Prev: 51.9)**, supported by growth in factory activity, new orders, and a faster rise in output amid stronger domestic demand.

With annual inflation remaining below Bank Indonesia's target, we expect this will provide additional room for the central bank to lower the BI Rate by one or two more 25 bps cuts by the end of 2025. This aligns with weakening purchasing power among lower-income groups, as indicated by a **0.18% MoM decline in the Farmer's Exchange Rate (NTP) in Feb '25**. However, we believe that any further rate cuts would be more comfortably executed once exchange rate volatility subsides, which we expect to occur by the end of 1H25.

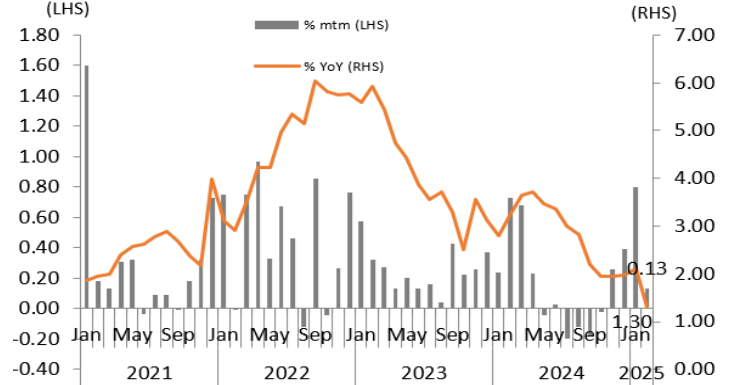
This condition will likely be achieved once the implementation of Trump Tariffs is in place, along with retaliation and reciprocal measures, as well as the full adaptation of changes in the global supply chain. Domestically, the full implementation of the 100% DHE SDA policy on Mar 1, '25, and the establishment of Danantara on Feb 24, '25, are expected to have an impact on domestic liquidity—both in Rupiah and USD—over the next quarter. Additionally, the termination of electricity tariff discounts in Mar '25, the Ramadan and Eid festive cycles, consecutive wholesale price index (IHPB) inflation of **0.80% MoM in Jan '25** and **0.13% MoM in Feb '25**, and the broader implementation of the free nutritious meal (MBG) program are expected to contribute to normalizing Indonesia's headline inflation by the end of 1H25, potentially bringing it back above **1.5% YoY to 1.8% YoY**.

Fig 1. CPI (Consumer or Headline) Inflation



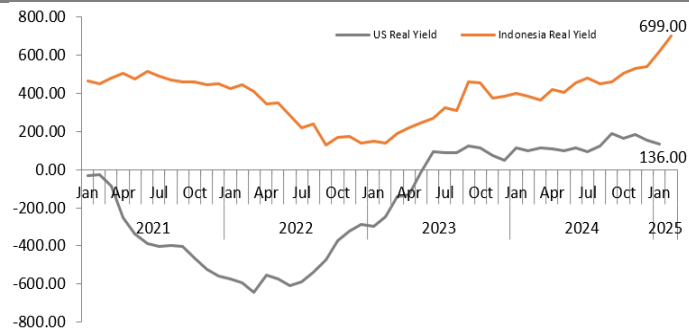
Sources: BPS, KBVS Research - treated (2025)

Fig 2. WPI (Wholesale) Inflation



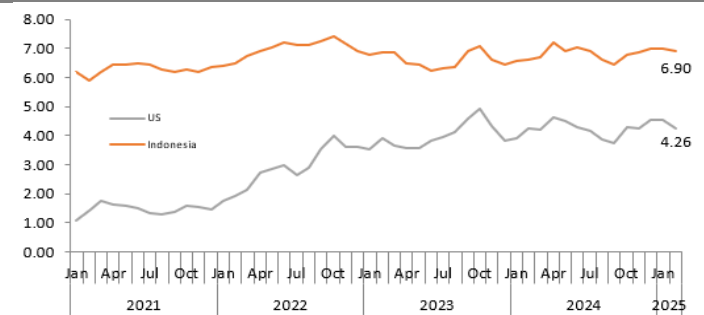
Sources: BPS, KBVS Research - treated (2025)

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



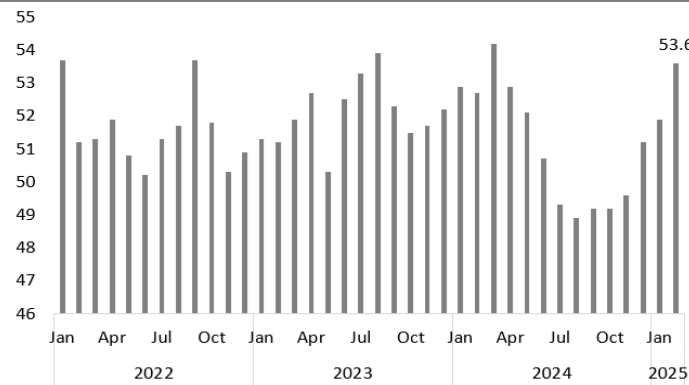
Sources: Bloomberg, KBVS Research - treated (2025)

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



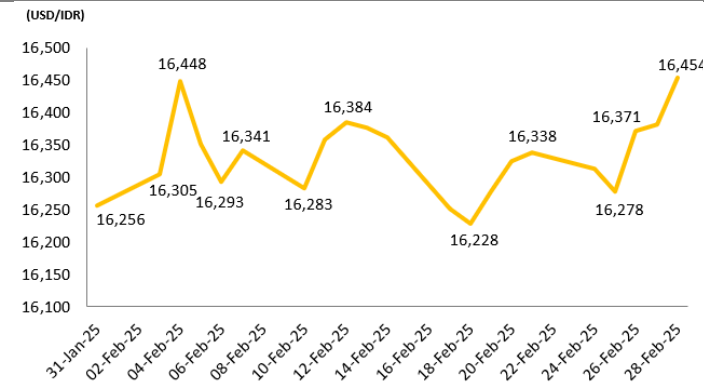
Sources: Bloomberg, KBVS Research - treated (2025)

Fig 5. PMI Manufacturing



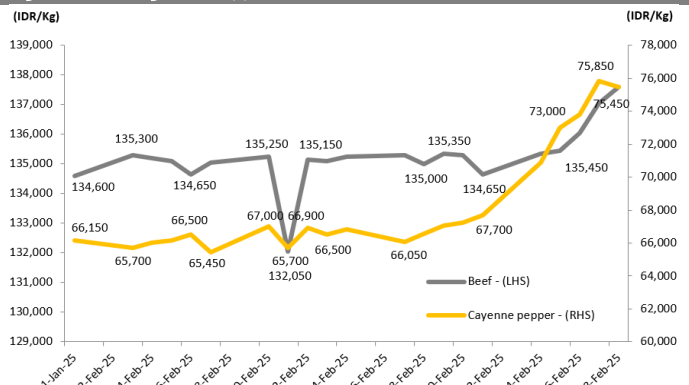
Sources: Market Economics, KBVS Research - treated (2025)

Fig 6. USD/IDR



Sources: Bloomberg, KBVS Research - treated (2025)

Fig 7. Beef & Cayenne Pepper Price



Sources: BI, KBVS Research - treated (2025)

Fig 8. Rice & Red Chili Pepper Price



Sources: BI, KBVS Research - treated (2025)

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

Indicators	Index		Inflation	
	Latest	M-1	MoM	YoY
<b>Consumer Price Index (CPI)</b>	<b>105.48</b>	<b>105.99</b>	<b>-0.48%</b>	<b>-0.09%</b>
Food, Beverages, and Tobacco	112.10	112.55	-0.40%	2.25%
Clothing and Footwear	103.49	103.48	0.01%	1.18%
Housing, Water, Electricity, and Household Fuels	89.85	93.20	-3.59%	-12.08%
Equipment, Tools, and Routine Household Maintenance	104.01	104.01	0.00%	1.02%
Health	105.24	105.06	0.17%	1.79%
Transport	110.07	109.68	0.36%	0.94%
Info, Comm. and Financial Services	99.41	99.40	0.01%	-0.26%
Recreation, Sport and Culture	104.59	104.47	0.11%	1.14%
Education Services	105.07	105.06	0.01%	2.04%
Food and Beverages Services/Restaurants	107.14	106.96	0.17%	2.47%
Personal Care and Other Services	115.37	113.90	1.29%	8.43%
Core inflation	105.93	105.67	0.25%	2.48%
Administered Price	98.10	100.77	-2.65%	-9.02%
Volatile Food	112.59	113.65	-0.93%	0.56%
<b>Wholesale Price Index (WPI)</b>	<b>104.34</b>	<b>104.20</b>	<b>0.13%</b>	<b>1.30%</b>
Agriculture	106.07	106.70	-0.59%	-0.24%
Mining and Quarrying	100.21	101.41	-1.18%	-0.44%
Manufacturing	103.61	103.46	0.14%	2.42%
<b>Farmer Exchange Rate</b>	<b>123.45</b>	<b>122.78</b>	<b>0.55%</b>	<b>2.05%</b>
Farmers Price Received Index	149.98	149.50	0.32%	3.46%
Farmers Price Paid Index	121.49	121.76	-0.22%	1.39%

Sources: BPS, KBVS Research – treated (2025)

Table 2. Commodity Price In Traditional Market

No.	Commodity	Price (Rp per Kg)					Monthly Price Change (%, ptp)
		31/ 01/ 2025	07/ 02/2025	14/ 02/2025	21/ 02/ 2025	28/ 02/ 2025	
<b>I</b>	<b>Rice</b>	<b>15,250</b>	<b>15,200</b>	<b>15,250</b>	<b>15,150</b>	<b>15,200</b>	<b>-0.33%</b>
1	Lower Quality Rice I	14,050	14,000	14,000	14,050	14,000	-0.36%
2	Lower Quality Rice II	13,800	13,800	13,800	13,800	13,650	-1.09%
3	Medium Quality Rice I	15,300	15,300	15,300	15,350	15,250	-0.33%
4	Medium Quality Rice II	15,200	15,200	15,200	15,200	15,150	-0.33%
5	Super Quality Rice I	16,650	16,650	16,650	16,700	16,600	-0.30%
6	Super Quality Rice II	16,200	16,200	16,200	16,200	16,150	-0.31%
<b>II</b>	<b>Chicken meat</b>	<b>37,200</b>	<b>36,100</b>	<b>36,000</b>	<b>35,650</b>	<b>37,350</b>	<b>0.40%</b>
1	Fresh Race Chicken Meat	37,200	36,500	36,000	36,300	37,350	0.40%
<b>III</b>	<b>Beef</b>	<b>134,600</b>	<b>135,050</b>	<b>135,250</b>	<b>134,650</b>	<b>137,600</b>	<b>2.23%</b>
1	Quality 1 Beef	138,050	138,600	138,750	138,500	141,250	2.32%
2	Quality 2 Beef	129,300	129,800	129,900	130,150	132,100	2.17%
<b>IV</b>	<b>Chicken eggs</b>	<b>30,000</b>	<b>29,850</b>	<b>29,800</b>	<b>30,250</b>	<b>30,450</b>	<b>1.50%</b>
1	Fresh Chicken Eggs	30,000	29,950	29,800	30,300	30,450	1.50%
<b>V</b>	<b>Red onion</b>	<b>38,650</b>	<b>37,150</b>	<b>37,000</b>	<b>37,000</b>	<b>39,350</b>	<b>1.81%</b>
1	Medium Shallot	38,650	37,350	37,000	37,000	39,350	1.81%
<b>VI</b>	<b>Garlic</b>	<b>44,550</b>	<b>44,500</b>	<b>44,750</b>	<b>45,100</b>	<b>45,150</b>	<b>1.35%</b>
1	Medium Size Garlic	44,550	44,500	44,750	44,950	45,150	1.35%
<b>VII</b>	<b>Red chili pepper</b>	<b>60,550</b>	<b>58,350</b>	<b>53,600</b>	<b>53,750</b>	<b>60,300</b>	<b>-0.41%</b>
1	Large Red Chili	59,350	58,550	53,500	54,450	61,050	2.86%
2	Curly Red Chili	60,650	58,150	53,400	55,000	60,100	-0.91%
<b>VIII</b>	<b>Cayenne pepper</b>	<b>66,150</b>	<b>65,450</b>	<b>66,850</b>	<b>67,700</b>	<b>75,450</b>	<b>14.06%</b>
1	Green Cayenne Pepper	61,100	62,650	62,800	60,600	61,600	0.82%
2	Red Cayenne Pepper	68,950	68,400	68,600	74,450	88,250	27.99%
<b>IX</b>	<b>Cooking oil</b>	<b>20,650</b>	<b>20,600</b>	<b>20,700</b>	<b>20,800</b>	<b>20,750</b>	<b>0.48%</b>
1	Bulk Cooking Oil	18,700	18,700	18,650	18,700	18,600	-0.53%
2	Branded Packaging Cooking Oil 1	21,850	21,900	22,000	22,100	22,100	1.14%
3	Branded Packaging Cooking Oil 2	20,850	20,800	20,900	20,950	21,000	0.72%
<b>X</b>	<b>Sugar</b>	<b>18,900</b>	<b>19,050</b>	<b>19,050</b>	<b>19,100</b>	<b>19,100</b>	<b>1.06%</b>
1	Premium Quality Sugar	19,450	19,600	19,650	19,600	19,700	1.29%
2	Local Sugar	18,450	18,550	18,550	18,600	18,600	0.81%

Sources: BI, KBVS Research – treated (2025)

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