

02 June 2025

Macroeconomics Indicator

	2023	2024	2025F
GDP growth (%YoY)	5.05	5.03	5.02
Inflation (%YoY)	2.61	1.57	1.97
BI rate (% Year-end)	6.00	6.00	5.00
Rp/US\$ (Average)	15,244	15,853	16,571
CA deficit (% of GDP)	-0.1	-0.6	-1.5
Fiscal deficit (% of GDP)	1.65	2.3	2.8

F: forecast, P: preliminary; all baseline scenario

Deflation month from lower food & beverages prices

- CPI recorded at -0.37% mom/+1.60% yoy in May25. FnB prices decelerated to -1.4% mom primarily from onion and chicken meat.
- Core CPI decelerates to +2.4% yoy (+2.5% yoy in Apr25). Gold jewelry contributes lower at 0.47% amid stagnant gold price of +0.02% mom.
- We keep our CPI expectation at c.+1.9% in FY25. The new gov't stimulus package on electricity may put further deflation pressure.

Monthly deflation from lower FnB prices

CPI inflation recorded a monthly deflation of -0.4% mom/+1.6% yoy in May25 (+1.2% mom/+2% yoy in Apr25) in the aftermath of electricity tariff normalization and Eid seasonality. This was lower than our/consensus at roughly -0.15% mom/+1.9% yoy emanating from FnB prices at -1.4% mom/+1% yoy. The top soft commodities that declined the most were onion and chicken meat at -21%/-8% yoy mostly due to the start of harvest season. Nevertheless, we expect deflation pressure from electricity to come back in Jun25 as the government has announced the plan on another 50% electricity discount for households under 1.300 VA, effective by 5th Jun25.

Deflation in transportation may persist from new gov't stimulus

Transportation category recorded a monthly deflation of -0.07% mom/+0.18% yoy primarily due to another downward adjustment in non-subsidized gasoline prices of -5.1% yoy. This was led by Pertamina Dex, Pertamina Turbo, and Pertamina at -8.9%/-7.6%/-4.2% yoy. We think the transportation deflation trend will continue in the coming months as the government has introduced a series of economic stimulus for the transportation sector from Jun-Jul25: 1) 30% discount in train fare; 2) 6% discount in airfare VAT (from initial VAT of 11%); 3) 50% discount in passenger ship fare; and 4) 20% toll road discount (targeted at 110mn passengers).

Lower core CPI from lesser gold jewellery contribution

Core CPI edged down to +2.4% yoy in May25 (+2.5% yoy in Apr25). The decline stem from a lower contribution of gold jewellery at 0.47% (0.52% in Apr25) due to slightly slower increase in gold prices at +41% yoy (+44% yoy in Apr25). Other categories, such as recreation and household utilities, showed slower growth at +1.2%/+0.8% yoy (+1.3%/+0.9% yoy in Apr25), despite five days of national holidays in May25. We expect core inflation to pick up in the coming months, primarily through education and recreation, as the semester break holiday will take place in Jun-Jul25.

Expect FY inflation to be at c.+1.9% in FY25

For now, we maintain our FY25 inflation estimate at c.+1.9%, as we continue to expect flattish GDP growth at c.+5.0% in FY25 (flat vs. FY24). In the near term, we see inflation risks being tilted to the downside. This is due to the new school year seasonality where household tend to allocate more spending for education. Overall, we see the inflation figure depicts weaker household purchasing power. Hence, we see further 25bp rate cut in BI's June meeting.

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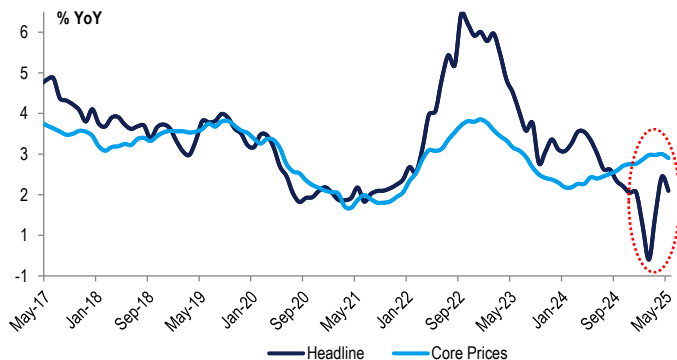
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Fig. 1: May25 monthly CPI fell into deflation from declining FnB prices

	Mar-25	Apr-25	May-25	Mar-25	Apr-25	May-25	2024	2025
	%MoM			%YoY			% yoy avg	
Consumer Price Index	1.65	1.17	-0.37	1.03	1.95	1.60	2.84	1.05
Food, Beverages, Tobacco	1.24	0.07	-1.40	2.07	2.17	1.03	6.57	2.24
Clothing & Footwear	0.45	-0.04	0.03	1.41	0.91	0.98	0.92	1.15
Housing, Electricity, Gas and Fuel	8.45	6.60	0.02	-4.68	1.60	1.54	0.55	-4.47
Household utilities	0.01	0.09	-0.04	0.95	0.88	0.79	1.04	0.96
Health	0.22	0.10	0.00	1.80	1.83	1.79	2.03	1.81
Transportation	-0.08	-0.01	-0.07	0.83	-0.11	0.18	1.23	0.52
Information, Communication & Financial Services	0.00	-0.42	0.31	-0.24	-0.64	-0.28	-0.13	-0.35
Recreation, sports & cultural	0.04	0.14	0.09	1.17	1.25	1.24	1.63	1.18
Education	0.00	0.01	0.00	1.89	1.88	1.88	1.65	1.95
Restaurant	0.12	0.19	0.09	2.26	2.14	1.97	2.45	2.26
Personal Care & Other services	0.95	2.46	0.23	8.71	9.93	9.24	3.79	8.72
By component								
Core	0.24	0.31	0.08	2.48	2.50	2.40	1.78	2.44
Administered	6.53	5.21	-0.02	-3.16	1.25	1.36	1.57	0.64
Volatile (Fresh food)	1.96	-0.04	-2.48	0.37	0.64	-1.17	8.76	2.02

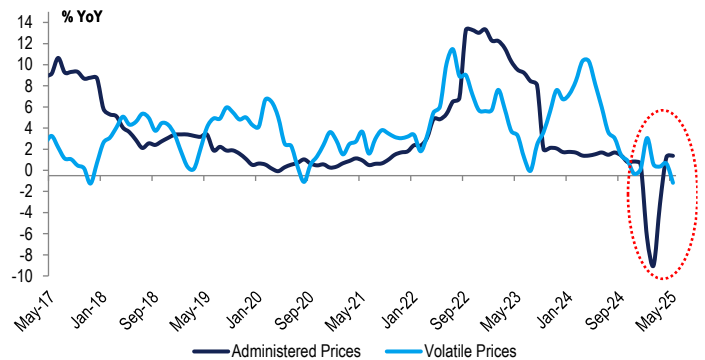
Source: BPS, Indo Premier

Fig. 2: Both headline and core CPI decelerated



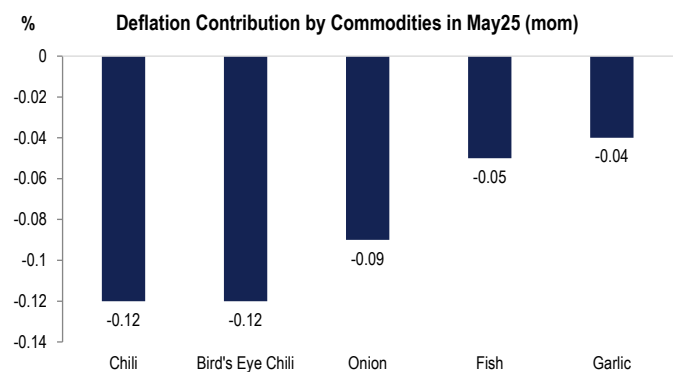
Source: BPS, Indo Premier

Fig. 3: Deflation in volatile FnB prices, administered remained stable



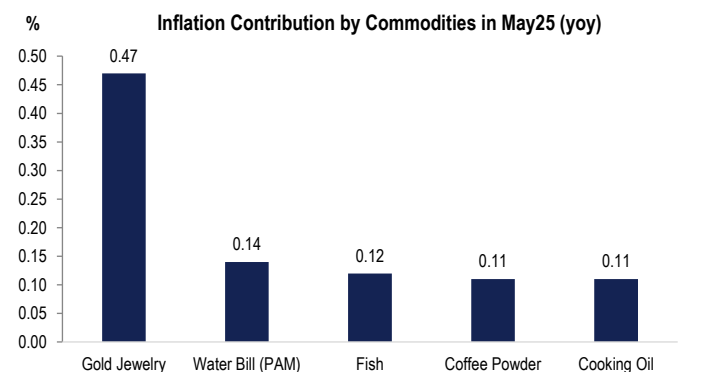
Source: BPS, Indo Premier

Fig. 4: Monthly deflation contribution by commodities



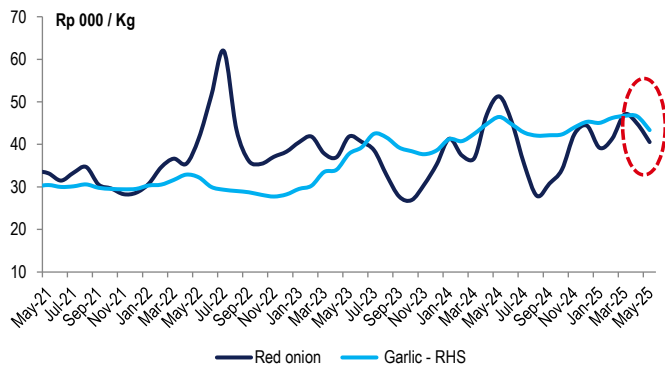
Source: BPS, Indo Premier

Fig. 5: Yearly inflation contribution by commodities



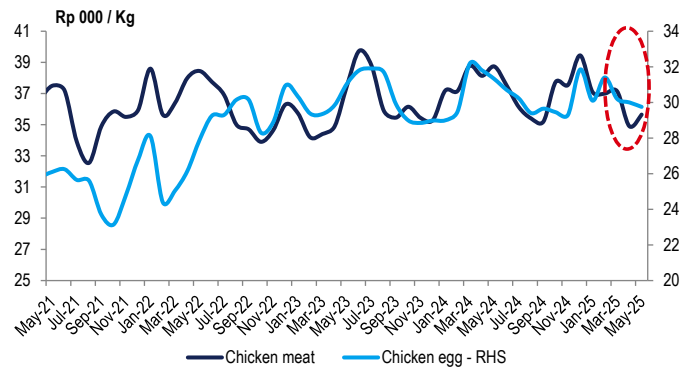
Source: BPS, Indo Premier

Fig. 6: Red onion and garlic prices declined



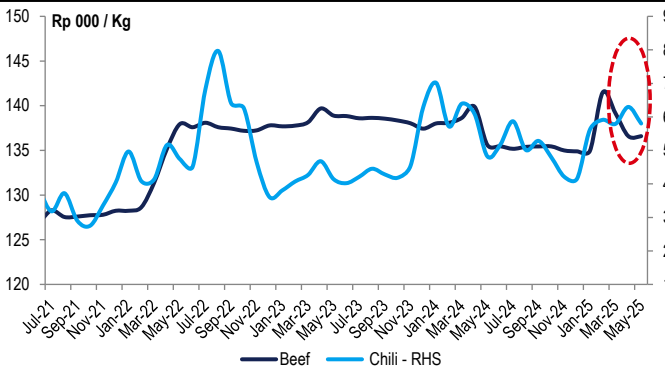
Source: National Strategic Food Price Information Center, Indo Premier

Fig. 7: Chicken meat price slightly rebounded



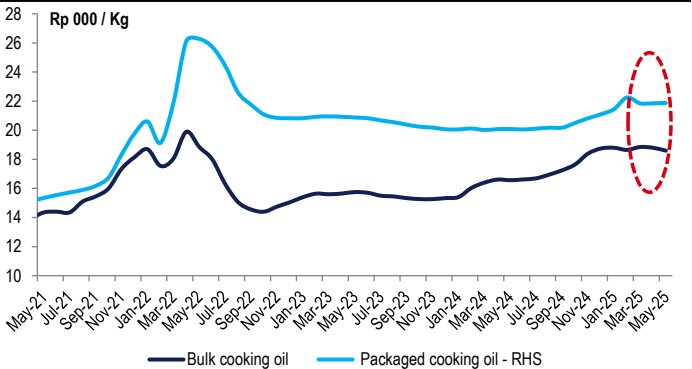
Source: National Strategic Food Price Information Center, Indo Premier

Fig. 8: Chili prices also decreased



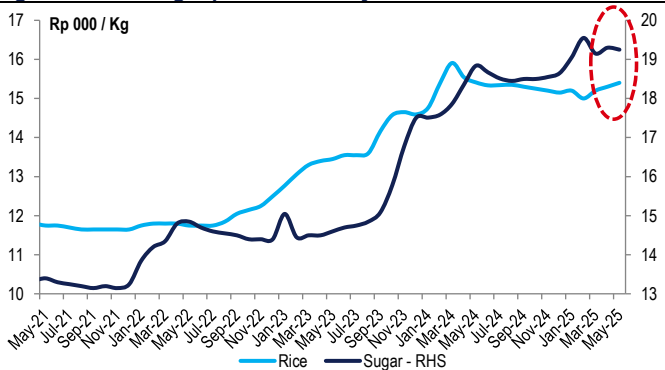
Source: National Strategic Food Price Information Center, Indo Premier

Fig. 9: While cooking oil stayed flattish



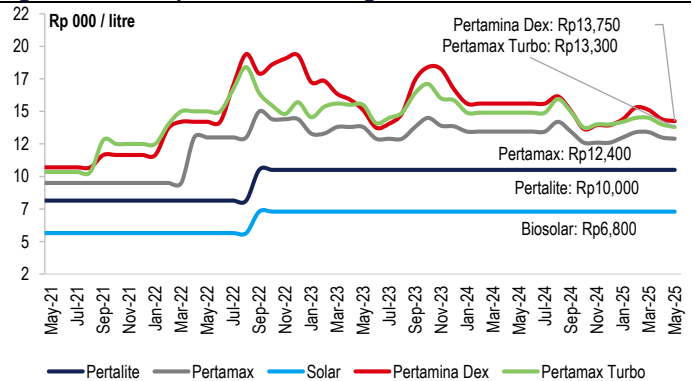
Source: National Strategic Food Price Information Center, Indo Premier

Fig. 10: Rice & sugar prices relatively stable



Source: National Strategic Food Price Information Center, Indo Premier

Fig. 11: Gasoline price on a declining trend



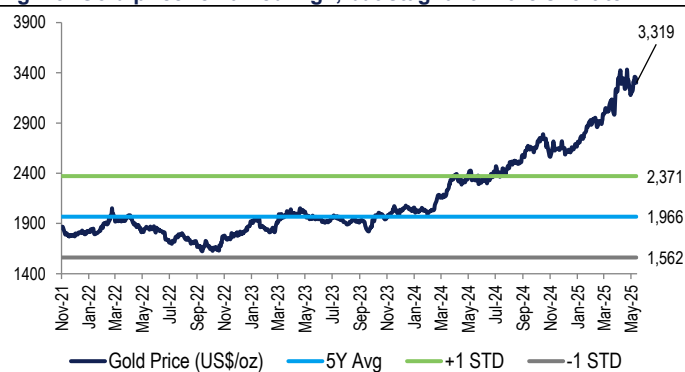
Source: various, Indo Premier

Fig. 12: Oil price remained below 5Y average



Source: Bloomberg, Indo Premier

Fig. 13: Gold price remained high, but stagnant in the short term



Source: Bloomberg, Indo Premier

ANALYSTS CERTIFICATION

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