

04 August 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

Higher inflation from FnB and education seasonality

- CPI increased to +0.3% mom/+2.4% yoy in Jul25, coming from higher FnB/education prices at +3.8%/+2.0% yoy.
- Core CPI came at +2.3% yoy (+2.4% yoy in Jun25) from gold jewelry, recreation, and restaurant, pointing to relatively weak purchasing power.
- We kept our CPI expectation at c.+1.9% in FY25. We think another fiscal stimulus is imperative to boost higher economic activity in 2H25.

Inflation to pick up from FnB and education

CPI recorded an inflation of +0.3% mom/+2.4% yoy in Jul25 (+0.2% mom/+1.9% yoy in Jun25), in-line with ours/consensus of +0.2% mom/+2.3% yoy. This marked the third consecutive increase in monthly/yearly CPI since May25. The uptick mainly reflected in higher FnB prices at +0.7% mom/+3.8% yoy (+0.5% mom/+2.0% yoy in Jun25). Notably, red onion, rice, and sugar recorded the largest increase at +59.3%/+4.0%/+2.6% yoy. Moreover, the education component rose to +0.8% mom/+2.0% yoy (-0.1% mom/+1.8% yoy in Jun25), in-line with the seasonal factor.

Lower transportation inflation from government discount stimulus

The transportation category recorded a modest inflation of +0.12% yoy (flattish mom), compared to +0.07% mom/+0.15% yoy in Jun25. The moderation came from lower public transportation prices at -2.06% yoy, following the implementation of government transportation fare discounts during Jun-Jul25. We expect transportation inflation to pick up in Aug25, mainly due to the expiration of the discount. However, this should be partially offset by the recent downward adjustment in non-subsidized gasoline at -0.2% mom (Pertamax/Pertamax Turbo prices decreased to -2.4%/-2.2% mom, but Pertamina Dex price increased by +3.7% mom).

Declining core CPI signals weaker household purchasing power

Core CPI came at +0.1% mom/+2.3% yoy in Jul25 (+0.1% mom/+2.4% yoy in Jun25). The decline was attributed to a lower contribution from gold jewellery to yearly CPI at 0.46% (vs 0.48% in Jun25) as gold prices moderated to +34.4% yoy (+42% yoy in Jun25). Moreover, other core categories such as recreation, restaurant, and household utilities slowed to +1.1%/+1.9%/+0.5% yoy (+1.2%/+2.0%/+0.6% yoy in Jun25), despite the school holiday taking place in Jun-Jul25. We think the current core CPI development may indicated weaker household purchasing power. However, we see spending appetite may rebound in 2H25, mainly from higher state expenditure that could provide fiscal stimulus to support economic activity.

We keep our FY inflation expectation at c.+1.9% in FY25

For now, we maintain our FY25F inflation expectation at c.+1.9% yoy. We expect 2H25 CPI to be slightly higher than 1H25, supported by expected increase in economic activity from higher government spending (c.44% of the government's reallocation budget has been disbursed to ministries/agencies). However, in the near term, tepid core CPI figures may raise concerns about weaker household consumption. Hence, we view another 25bp rate cut as plausible in 2H25, contingent to Rupiah volatility and the Fed's FFR decision.

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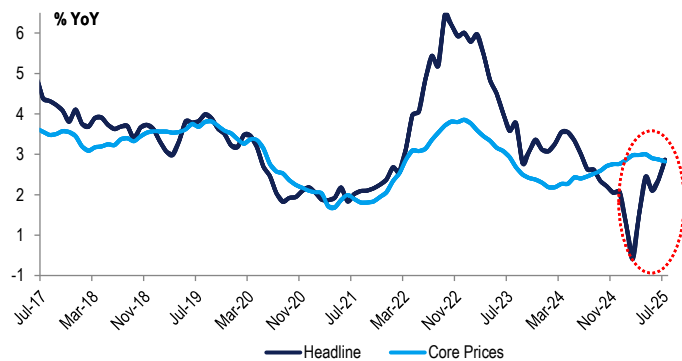
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Fig. 1: Jul25 CPI increased from FnB and education seasonality; core components remained subdued

	May-25	Jun-25	Jul-25	May-25	Jun-25	Jul-25	2024	2025
	%MoM			%YoY			% yoy avg	
Consumer Price Index	-0.37	0.19	0.30	1.60	1.87	2.37	2.84	1.35
Food, Beverages, Tobacco	-1.40	0.46	0.74	1.03	1.99	3.75	6.57	2.42
Clothing & Footwear	0.03	0.05	0.10	0.98	1.01	1.00	0.92	1.11
Housing, Electricity, Gas and Fuel	0.02	0.09	0.11	1.54	1.59	1.65	0.55	-2.73
Household utilities	-0.04	-0.01	0.07	0.79	0.57	0.52	1.04	0.84
Health	0.00	0.09	0.17	1.79	1.84	1.94	2.03	1.83
Transportation	-0.07	0.07	0.00	0.18	0.15	0.12	1.23	0.41
Information, Communication & Financial Services	0.31	-0.01	-0.04	-0.28	-0.27	-0.31	-0.13	-0.33
Recreation, sports & cultural	0.09	0.09	0.10	1.24	1.23	1.05	1.63	1.17
Education	0.00	-0.05	0.82	1.88	1.82	1.95	1.65	1.93
Restaurant	0.09	0.07	0.07	1.97	1.95	1.86	2.45	2.16
Personal Care & Other services	0.23	0.33	0.07	9.24	9.30	9.00	3.79	8.84
By component								
Core	0.08	0.07	0.13	2.40	2.37	2.32	1.78	2.42
Administered	-0.02	0.09	0.09	1.36	1.34	1.32	1.57	-1.90
Volatile (Fresh food)	-2.48	0.77	1.25	-1.17	0.57	3.82	8.76	1.12

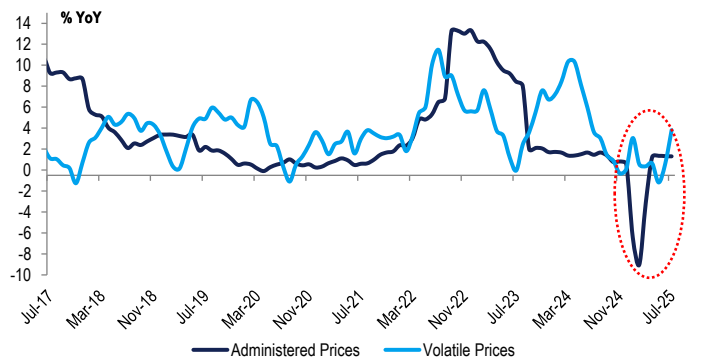
Source: BPS, Indo Premier

Fig. 2: Headline CPI increased, but core CPI decelerated



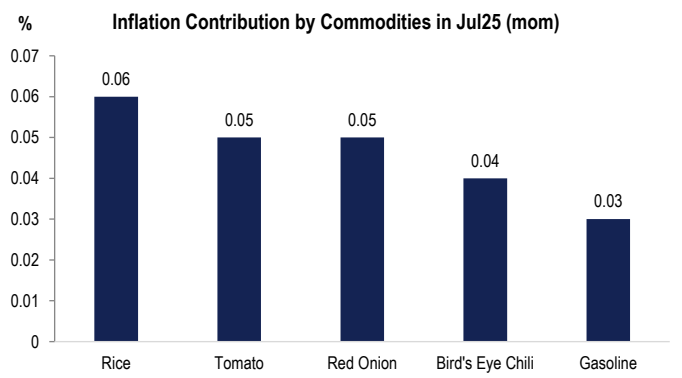
Source: BPS, Indo Premier

Fig. 3: Volatile prices rebounded from Eid Al-Adha festivity



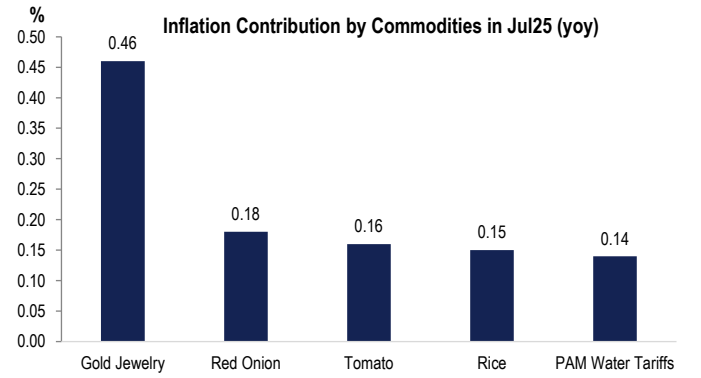
Source: BPS, Indo Premier

Fig. 4: Monthly deflation contribution by commodities



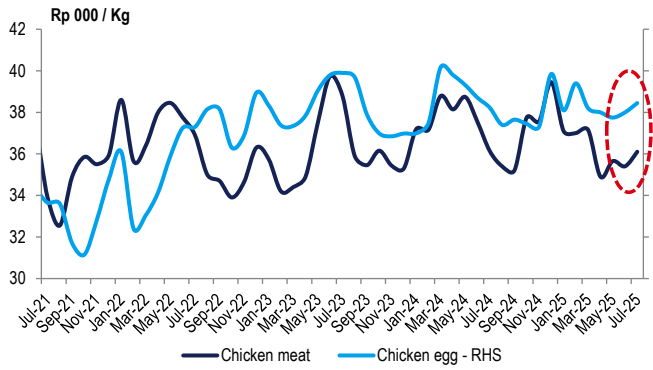
Source: BPS, Indo Premier

Fig. 5: Yearly inflation contribution by commodities



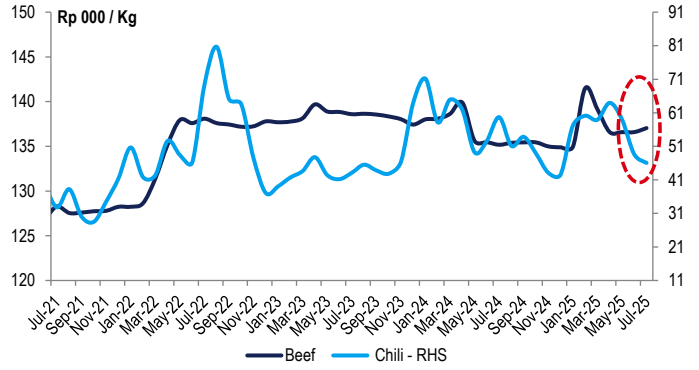
Source: BPS, Indo Premier

Fig. 6: Chicken egg and chicken meat price slightly pick-up



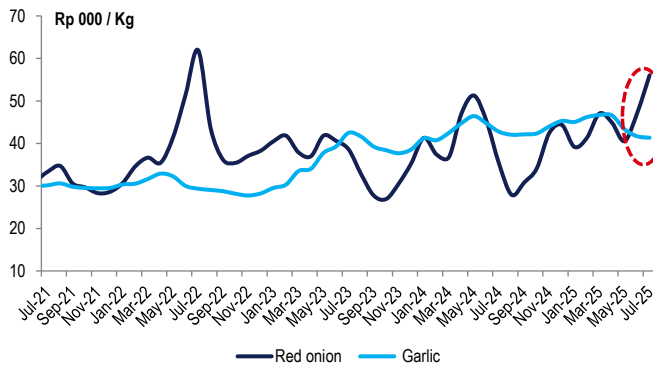
Source: National Strategic Food Price Information Center, Indo Premier

Fig. 7: Beef price remained stagnated, while chili price fell



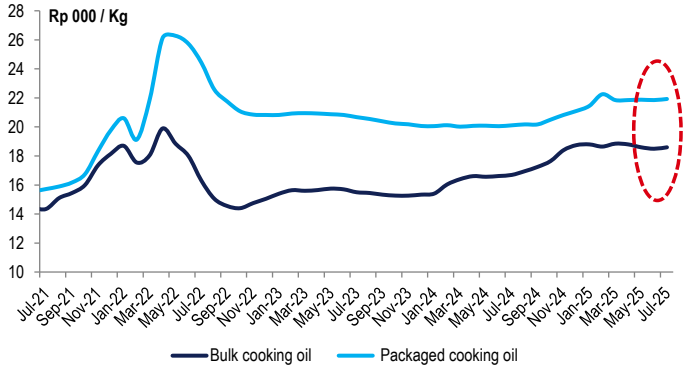
Source: National Strategic Food Price Information Center, Indo Premier

Fig. 8: Red onion price also increased



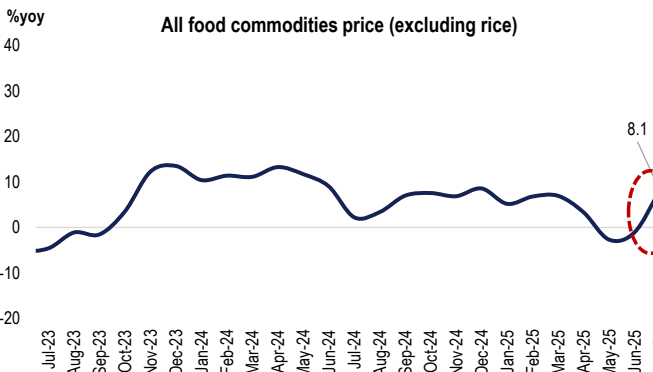
Source: National Strategic Food Price Information Center, Indo Premier

Fig. 9: While cooking oil stayed relatively flattish



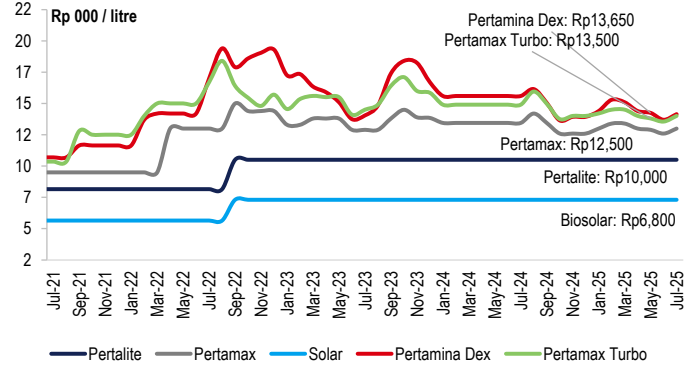
Source: National Strategic Food Price Information Center, Indo Premier

Fig. 10: Overall food prices rebounded in Jul25



Source: National Strategic Food Price Information Center, Indo Premier

Fig. 11: Gasoline price adjusted upwards in Jul25



Source: various, Indo Premier

Fig. 12: Oil price to increase slightly



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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