



## Indonesia economy June's Month-on-Month Inflation surprise

### Domestic economy June 2022 Inflation Rate

July 1, 2022

#### June's Headline Inflation rates

Indonesia headline inflation rate for the month of June was released today at 0.61% MoM (May:0.4%, April:0.95%) and 4.35% YoY (May:3.55%, April:3.47%). The annual inflation rate is in-line with market consensus, although at the high range of the estimate. However, the monthly June's rate of 0.61% is almost twice higher than that of market expectation.

#### Food, Beverages, and Tobacco

The Consumer Price Index (CPI) of the Food, beverages, and tobacco component increased the highest of 1.77% MoM in June (May:0.78%, April:1.76%). This component contributed the highest, of 0.47ppt (May:0.2ppt, April:0.46ppt) to June headline inflation rate. On an annual basis, the CPI increased for the Food, beverages, and tobacco component grew by 8.26% (May:5.62%, April:5.2%).

#### Transportation

The CPI of Transportation component increased by 0.3% MoM in June (May:0.65%, April: 2.42%) and is the second biggest contributor to June's headline inflation rate, at 0.04ppt (May: 0.08ppt, April:0.3ppt). Annually, the CPI increase for Transportation component in June is at 5.45% (May:4.77%, April:4.84%).

#### Food and Beverages / Dine-out

The CPI of Food and beverages / Restaurants component rose by 0.33% MoM in June (May: 0.54%, April: 0.55%) and is the third biggest contributor to June's headline inflation rate at 0.03ppt. Annually the CPI for Food and beverages / Restaurants component rose by 3.67% in June (May:3.57%, April: 3.47%).

#### Volatile and Non-volatile Food Component

The CPI of Volatile food component increased by 2.51% MoM in June (May:0.94%, April:2.3%), and by 10.07% on an annual basis (May:6.05%, April: 5.48%). In the last three months, Volatile food component contributed the most to headline inflation rates, at 0.44ppt, 0.16ppt and 0.39ppt, respectively.

At the other end, Non-volatile or Core food component increased by 0.19% MoM in June (May: 2.58%, April: 2.6%), while on an annual basis rose by 2.63% (May:2.58%, April: 2.3%).

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**Remark:**

Higher energy prices and commodity prices in addition to worldwide supply chain hiccups to fulfill pent-up demand in the post-COVID 19 relaxing measures have been special challenge for many countries including Indonesia, to manage the supply side of goods and services. The challenge has been exacerbated by the invasion of Russia to Ukraine.

It is about to be seen whether the on-going turmoil in Volatile food component prices to become persistent and to affect Indonesia Core inflation in the near term.

As for today, the JCI seemed to overreact on the release, to have recorded an intraday low of 6,777pt or a significant 2.0% lower than the previous close.

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