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Indonesia Stocks Fall Most in Two Months on Inflation Concern  
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By Berni Moestafa

Aug. 3 (Bloomberg) -- Indonesian stocks fell, sending the benchmark index to its biggest loss in more than two months, as accelerating inflation increased concern among some investors that the central bank will raise its main interest rate.

PT Astra International, the nation's largest automotive retailer, tumbled the most in more than a year and PT Bank Rakyat Indonesia retreated 4.2 percent, leading declines among financial stocks. The central bank will announce its decision on the reference rate tomorrow.

"The concern is that interest rates will rise sooner than people thought," said Fadlul Imansyah, who helps manage \$190 million in assets at PT CIMB Principal Asset Management in Jakarta.

The Jakarta Composite Index dropped 2.8 percent to close at 2,973.66, its biggest decline since May 25. The gauge, the first in Asia to enter a bull market since the peak of the European debt crisis in May, has rallied 17 percent this year as record-low interest rates accelerated growth in Southeast Asia's biggest economy and boosted earnings.

Citigroup Inc. said in a report that a surge in July inflation has boosted odds the central bank will lift interest rates earlier than its forecast for a first-quarter increase. The central bank will be "more hawkish" in its next monetary policy statement, Citigroup said.

#### Rising Prices

Consumer prices rose 6.22 percent last month from a year earlier, the Central Bureau of Statistics said yesterday. That compares with a 5.05 percent gain in June reported earlier. The median forecast in a Bloomberg News survey of 20 economists was for a 5.73 percent increase.

Indonesia's July inflation rate was higher than expected, led by gains in food prices as the weather caused supply constraints, said Hartadi Sarwono, a deputy governor at Bank Indonesia.

Bank Indonesia will leave its reference rate unchanged at 6.5 percent tomorrow, according to all 22 economists in a Bloomberg News survey. The measure is at the lowest level since its introduction in July 2005.

Astra slumped 4.9 percent to 47,500 rupiah, the sharpest drop since June 18, 2009. Bank Rakyat, the nation's second-biggest bank by assets, declined 4.2 percent to 9,050 rupiah. PT Bank Mandiri, the largest, fell 3.4 percent to 5,650 rupiah. Financial stocks were the biggest drag on the composite index.

PT Apac Citra Centertex, a manufacturer of textile and garment products, plunged 8.6 percent to 74 rupiah, the sharpest drop since April 30. The company said its first-half net loss widened to 26.4 billion rupiah (\$3 million) from 7.8 billion rupiah a year earlier.

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