

## Monthly Inflation: “Slightly Increase”

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### CPI Review

Consumer Price Index (CPI) in October 2017 increased due to the rising prices of cost of education, cigarette, and electricity tariff. On the other hand, the foodstuffs prices still fell for three consecutive months. Monthly inflation reached 0.01% m-o-m, lower from 0.13% m-o-m in the preceding month. Based component, the inflation was posted by the education component increased by 0.16% m-o-m, the clothing component rose by 0.18% m-o-m, and the prepared food component rose by 0.28% m-o-m. Furthermore, the housing component experienced rose by 0.18% compared to preceding month and the medical care component increased by 0.21% m-o-m. Meanwhile, the deflation was posted by the foodstuffs component decreased by 0.45% m-o-m and the transportation and communication component experienced fell by 0.13% m-o-m.

Inflation in the education, recreation and sports component in October 2017 mainly stemmed from higher prices of tuition fees (academy/university). Inflation in the clothing component in October 2017 came primarily from higher prices of man clothing sub-sector.

Furthermore, inflation in the prepared foods component in October 2017 mainly stemmed from higher prices of noodles, rice with meal, cigarette, white cigarette, and filter cigarette. Inflation in the housing component in October 2017 came primarily from higher prices of electricity tariff. Inflation in the medical care component in October 2017 still came primarily from higher price of medicines sub-sector.

Meanwhile, deflation in the foodstuffs component in October 2017 mainly stemmed from lower prices of chicken meat, onion, fish, garlic, eggs, tomato, potato, chili, beef, and watermelon. We believe the price decrease in these products were mainly due to

- a. Higher domestic supply
- b. Lower domestic demand

Deflation in the transportation and communication component in October 2017 came primarily from lower prices of air freights rates.

On a yearly basis, inflation remains in check with the downward trend still intact, as the inflation slightly decreased to 3.58% y-o-y in October 2017 compare 3.72% y-o-y in the previous month. Nevertheless, year to date inflation in January–October 2017 reached 2.67% higher than 2.11% for the same time frame in 2016.

### CPI Outlook

We expect inflationary pressures slightly increase in November 2017. This was triggered by rising foodstuffs prices after falling for three consecutive months. The price of foodstuffs increased, such as such as rice, onion, garlic, red pepper, chili, instant noodles, milk, beef, chicken meat, and eggs. Furthermore, the increase in inflationary pressure this month was also triggered by rising Toll road tariffs. Meanwhile, the price of gold in the domestic market is relatively stable in November 2017. The impact of the rise in cigarette excise tariff early next year still boosted cigarette prices. Based on these factors, we expect the consumer price index in November 2017 will reach 0.31% m-o-m, higher than 0.01% m-o-m in October 2017. However, we expect the yearly inflation rate in November 2017 will decrease to 3.42% y-o-y from 3.58% y-o-y in October 2017. Looking ahead, we expect the inflation may reach 3.73% y-o-y in the end of 2017.

Meanwhile, we also expect core inflationary pressures also slightly increase in November 2017. The pressure comes from the increase in price of cigarette, housing rent, housing contract, and Toll road tariffs. We expect core inflation in November 2017 may reach 0.22% m-o-m slightly higher than 0.17% m-o-m in October 2017. Furthermore, we expect the yearly core inflation in November 2017 will increase to 3.14% y-o-y from 3.07% y-o-y in the previous month. Forward looking, we still maintain core inflation projection at 3.20% by the end of 2017 due to relatively tame impact of electricity tariff increases and the government's success to control volatile foods prices.

## Changes in Consumer Price Index (Percent)

	M-on-M changes			Y-on-Y changes			YTD (Jan-Oct)		
	Aug-17	Sep-17	Oct-17	Aug-17	Sep-17	Oct-17	2015	2016	2017
FOODSTUFF	-0.67	-0.53	-0.45	1.51	1.04	0.80	1.34	3.44	-1.34
PREPARED FOOD	0.26	0.34	0.28	4.24	4.24	4.28	5.39	4.64	3.56
HOUSING	0.10	0.21	0.18	5.66	5.58	5.19	2.78	1.55	4.82
CLOTHING	0.32	0.52	0.18	2.28	2.68	3.17	3.57	3.54	3.67
MEDICAL CARE	0.20	0.16	0.21	3.43	3.25	3.16	4.60	3.28	2.53
EDUCATION	0.89	1.03	0.16	2.65	3.17	3.23	3.85	2.66	3.16
TRANSPORTATION	-0.60	0.02	-0.13	4.89	4.71	4.60	-2.03	-1.89	3.37
<b>GENERAL</b>	<b>-0.07</b>	<b>0.13</b>	<b>0.01</b>	<b>3.82</b>	<b>3.72</b>	<b>3.58</b>	<b>2.16</b>	<b>2.11</b>	<b>2.67</b>
<b>Food and Non-Food</b>									
FOOD	-0.25	-0.13	-0.11	2.74	2.49	2.38	3.15	3.98	0.86
NON-FOOD	0.01	0.28	0.09	4.52	4.53	4.40	0.03	0.18	0.05

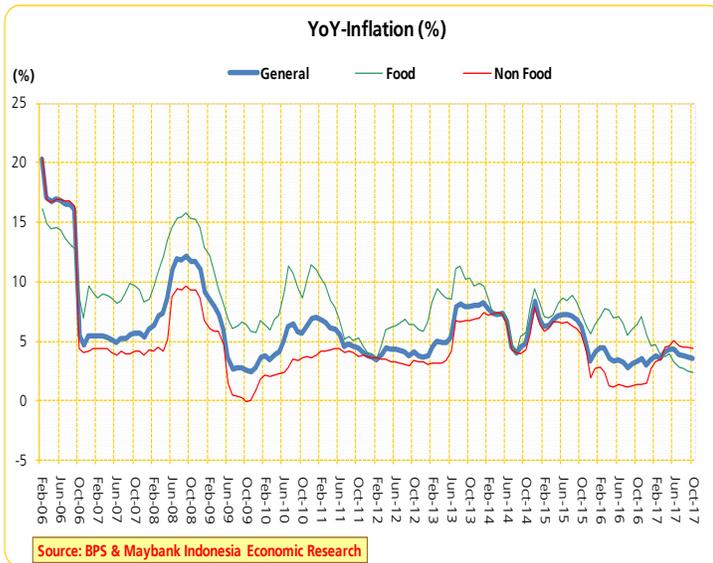
Source : BPS & Maybank Indonesia Economic Research

## Main Driven of Inflation by Component

Component	Change (%)	Drivers	Contribute (%)
Foodstuffs	-0.45	Chicken meat, onion, fish, garlic, eggs, tomato, potato, chili, beef, and watermelon	-0.09
Prepared foods, beverages and cigarettes	0.28	Noodles, rice with meal, cigarette, white cigarette, and filter cigarette	0.05
Housing	0.18	Electricity tariff	0.04
Clothing	0.18	Man clothing sub-sector	0.01
Medical Care	0.16	Medicines sub-sector	0.01
Education, recreation and sports	0.21	Tuition fees ( academy/university)	0.02
Transportation and Communications	-0.13	Air freights rates	-0.03
<b>Total</b>			<b>0.01</b>

Source : BPS & Maybank Indonesia Economic Research

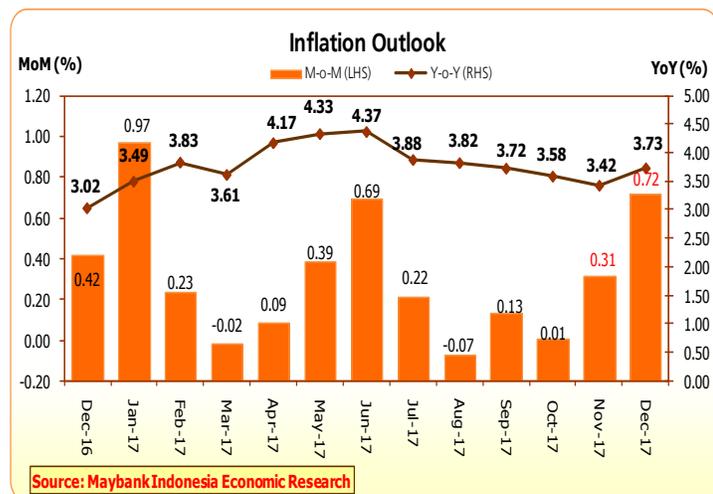
## Year on year Inflation



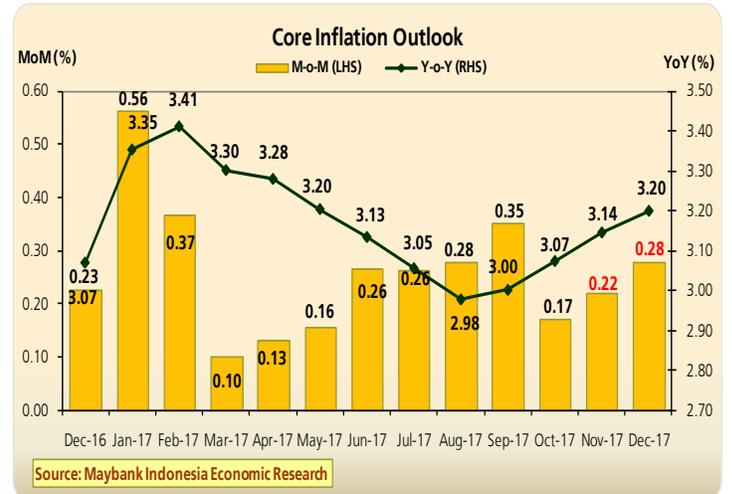
## Share of the Component Inflation



## Inflation Outlook 2017



## Core Inflation Outlook 2017



## Macro Economic Indicators

INDICATORS	2014	2015	2016	2017F
<b>Inflation (%YoY)</b>	8.36	3.35	3.02	3.73
<b>Inflation (% avg)</b>	6.42	6.38	3.53	3.84
<b>Core Inflation (%YoY)</b>	4.93	3.95	3.07	3.20
<b>Core Inflation (% avg)</b>	4.53	4.89	3.35	3.18
<b>Exchange Rate Eop (Rp/US\$)</b>	12440	13795	13436	13600
<b>Exchange Rate Avg (Rp/US\$)</b>	11885	13458	13330	13400
<b>Current Account (% GDP)</b>	-3.09	-2.03	-1.80	-1.50
<b>Fiscal Balance (% GDP)</b>	-2.20	-2.80	-2.46	-2.70
<b>Interest Rate</b>				
BI 7-Day (Reverse) Repo Rate (% p.a)	5.86	6.25	4.75	4.25
Time Deposit 3 month (% p.a)	8.95	7.99	6.69	6.20
Lending rate working capital (% p.a)	12.81	12.46	11.36	10.77
<b>Credit</b>				
<b>Growth (% YoY)</b>				
Property Credit	17.29	11.86	14.98	15.22
Consumer credit	11.51	9.09	8.76	9.60
Working Capital Credit	10.83	9.04	6.93	8.99
Investment Credit	13.16	14.69	8.65	7.40
<b>Total Credit</b>	11.58	10.44	7.87	8.75
<b>Deposit</b>	12.29	7.26	9.60	10.04
<b>NPL Commercial Banks (%)</b>	2.16	2.49	2.93	2.86
<b>Car Sales (1000 Units)</b>	1208	1013	1062	1075
<b>Car Sales Growth (%)</b>	-1.78	-16.12	4.79	1.28
<b>Motorcycle Sales (1000 Units)</b>	7867	6480	5931	5992
<b>Motorcycle Sales Growth (%)</b>	1.59	-17.63	-8.47	1.03
<b>Unemployment Rate (%)</b>	5.94	6.18	5.61	5.50
<b>International Reserve (US\$ bn)</b>	111.9	105.9	116.4	127.7
<b>GDP Growth (%)</b>	5.01	4.88	5.02	5.07

Note : the red numbers are forecast

Source : Maybank Indonesia Economic Research

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