

Monthly Inflation: “Remain Controlled”

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CPI Review

Consumer Price Index (CPI) in October 2018 increased due to the rising prices of housing rents, rice, gasoline, and gold jewelry. Monthly inflation in October reached 0.28% m-o-m, higher from deflation 0.28% m-o-m in the preceding month. Based component, the inflation was posted by the housing component experienced increased by 0.42% m-o-m, the foodstuffs component rose by 0.15 m-o-m, and the transportation, communication and financial services component rose by 0.26% m-o-m. Furthermore, the prepared food component rose by 0.27% m-o-m and the education component rose by 0.09% m-o-m. Meanwhile, the clothing component rose by 0.54% m-o-m, and the medical care component increased by 0,06% m-o-m.

Inflation in the foodstuffs component in October 2018 mainly stemmed from higher prices of rice, red pepper, and oranges. We believe the price increase in these products were mainly due to

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

Meantime, inflation in the transportation, communication, and financial services component in October 2018 came primarily from higher prices of gasoline and Toll tariff.

Meanwhile, inflation in the prepared foods component in October 2018 mainly stemmed from higher prices of rice with meal, cigarette, white cigarette, and filter cigarette. Inflation in the housing component in October 2018 still came primarily from higher prices of housing rents, housing contracts, concrete irons, cement, and servant wages.

Furthermore, inflation in the education, recreation and sports component in October 2018 mainly stemmed from higher prices of sports sub-sector. Inflation in the medical care component in October 2018 still came primarily from higher price of body care sub-sector. Inflation in the clothing component in October 2018 still came primarily from higher prices of gold jewelry.

On a yearly basis, inflation remains in check with the upward trend still intact, as the inflation increased to 3.16% y-o-y in October 2018 compare 2.88% y-o-y in the previous month. Furthermore, year to date inflation in January-October 2018 reached 2.22% lower than 2.67% for the same time frame in 2017.

CPI Outlook

We expect inflationary pressures remain controlled in November 2018. Inflationary pressures still stem from rising prices for food items such as rice, onions, garlic, chili, red chili, and eggs. The increase in commodity prices was mainly due to the limited supply at the same time the demand remained. Furthermore, the increase in the price of gold jewelry, home contracts, and wages for domestic help still add to inflationary pressures this month. Meanwhile, the price decline still occurs in commodities such as chicken, sugar, cooking oil, and vegetables. Based on these factors, we expect the consumer price index in November 2018 will reach 0.18% m-o-m, lower than 0.28% m-o-m in October 2018. Furthermore, we expect the yearly inflation rate in November 2018 will slightly decrease to 3.14% y-o-y from 3.16% y-o-y in October 2018. Looking ahead, we also expect inflation may reach 3.09% y-o-y by the end of 2018.

Meanwhile, we also expect core inflationary pressures remain controlled in November 2018. The pressure still comes from the increase in price of gold jewelry, housing rent, housing contract, and servant wages. We expect core inflation in November 2018 will reach 0.14% m-o-m, lower than 0.29% m-o-m in October 2018. However, we expect the yearly core inflation in October 2018 may slightly increase to 2.95% y-o-y from 2.94% y-o-y in the previous month. Forward looking, we also expect core inflation may reach 2.98% by the end of 2018.

Changes in Consumer Price Index (Percent)

	M-on-M changes			Y-on-Y changes			YTD (Jan-Oct)		
	Aug-18	Sep-18	Oct-18	Aug-18	Sep-18	Oct-18	2016	2017	2018
FOODSTUFF	-1.10	-1.62	0.15	4.90	3.75	4.38	3.44	-1.34	1.69
PREPARED FOOD	0.35	0.29	0.27	4.10	4.04	4.03	4.64	3.56	3.48
HOUSING	0.25	0.21	0.42	2.12	2.11	2.35	1.55	4.82	2.05
CLOTHING	-0.07	0.27	0.54	3.41	3.15	3.52	3.54	3.67	3.26
MEDICAL CARE	0.20	0.41	0.06	2.93	3.18	3.03	3.28	2.53	2.57
EDUCATION	1.03	0.54	0.09	3.76	3.25	3.18	2.66	3.16	3.00
TRANSPORTATION	-0.15	-0.05	0.26	1.80	1.74	2.14	-1.89	3.37	1.30
GENERAL	-0.05	-0.18	0.28	3.20	2.88	3.16	2.11	2.67	2.22
Food and Non-Food									
FOOD	-0.44	-0.75	0.21	4.53	3.88	4.22	3.98	0.86	2.51
NON-FOOD	0.19	0.19	0.31	2.42	2.33	2.56	0.13	0.12	0.19

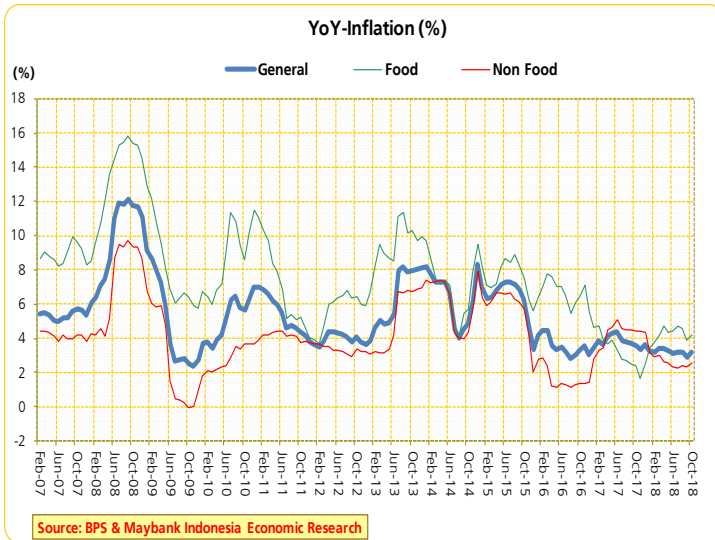
Source : BPS & Maybank Indonesia Economic Research

Main Driven of Inflation by Component

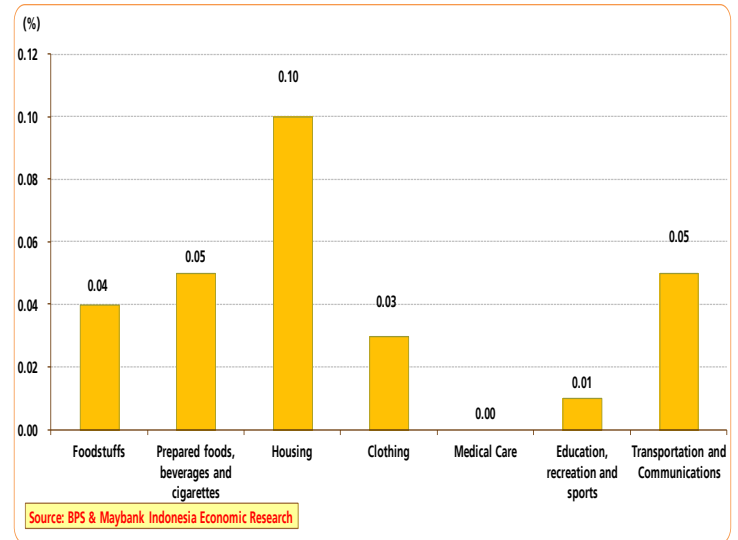
Component	Change (%)	Drivers	Contribute (%)
Foodstuffs	0.15	Red pepper, rice, and oranges	0.04
Prepared foods, beverages and cigarettes	0.27	Rice with meal, cigarette, white cigarette, and filter cigarette	0.05
Housing	0.42	Housing rents, housing contracts, concrete irons, cement, and servants wages	0.10
Clothing	0.54	Gold jewelry	0.03
Medical Care	0.06	Body care sub-sector	0.00
Education, recreation and sports	0.09	Sports sub-sector	0.01
Transportation and Communications	0.26	Gasoline and Toll tariff	0.05
Total			0.28

Source : BPS & Maybank Indonesia Economic Research

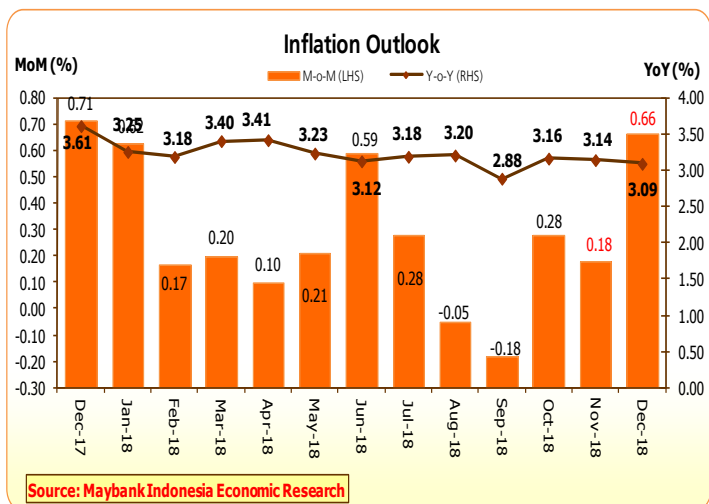
Year on year Inflation



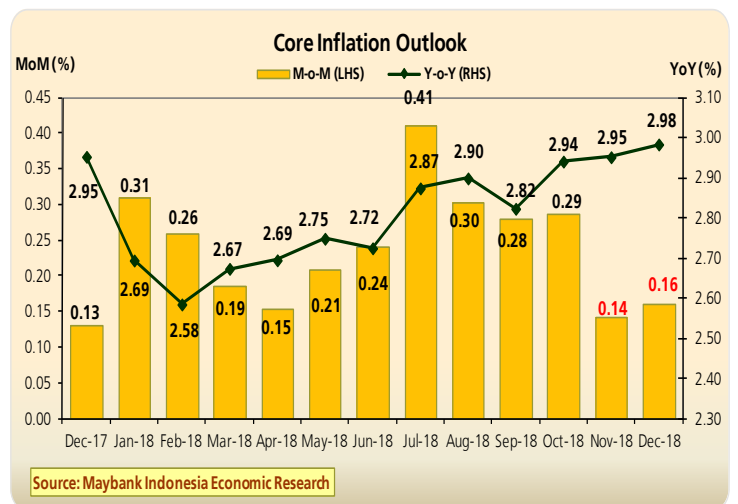
Share of the Component Inflation



Inflation Outlook 2018



Core Inflation Outlook 2018



Macro Economic Indicators

INDICATORS	2014	2015	2016	2017	2018F
Inflation (% YoY)	8.36	3.35	3.02	3.61	3.09
Inflation (% avg)	6.42	6.38	3.53	3.81	3.18
Core Inflation (% YoY)	4.93	3.95	3.07	2.95	2.98
Core Inflation (% avg)	4.53	4.89	3.35	3.15	2.80
Exchange Rate Eop (Rp/US\$)	12440	13795	13436	13548	15000
Exchange Rate Avg (Rp/US\$)	11885	13458	13330	13397	14341
Current Account (% GDP)	-3.09	-2.03	-1.82	-1.70	-2.90
Fiscal Balance (% GDP)	-2.20	-2.80	-2.46	-2.46	-2.20
Interest Rate					
BI 7-Day (Reverse) Repo Rate (% p.a)	5.86	6.25	4.75	4.25	6.00
Time Deposit 3 month (% p.a)	8.95	7.99	6.69	6.11	6.72
Lending rate working capital (% p.a)	12.81	12.46	11.36	10.68	10.88
Credit					
Growth (% YoY)					
Property Credit	17.29	11.86	14.98	13.05	14.55
Consumer credit	11.51	9.09	8.76	11.04	11.47
Working Capital Credit	10.83	9.04	6.93	8.48	11.89
Investment Credit	13.16	14.69	8.65	4.82	11.67
Total Credit	11.58	10.44	7.87	8.24	11.67
Deposit	12.29	7.26	9.60	9.35	8.06
NPL Commercial Banks (%)	2.16	2.49	2.93	2.59	2.65
Car Sales (1000 Units)	1208	1013	1062	1080	1145
Car Sales Growth (%)	-1.78	-16.12	4.79	1.70	6.02
Motorcycle Sales (1000 Units)	7867	6480	5931	5886	6372
Motorcycle Sales Growth (%)	1.59	-17.63	-8.47	-0.76	8.25
Unemployment Rate (%)	5.94	6.18	5.61	5.50	5.34
International Reserve (US\$ bn)	111.9	105.9	116.4	130.2	115.0
GDP Growth (%)	5.01	4.88	5.03	5.07	5.16

Note : the red numbers are forecast

Source : Maybank Indonesia Economic Research

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