

## Monthly Inflation: “Remain Manageable”

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### CPI Review

Consumer Price Index (CPI) in September 2018 decreased due to the falling prices of foodstuffs and air freight fares. Monthly deflation in September reached -0.18% m-o-m, lower from -0.05% m-o-m in the preceding month. Based component, the deflation was posted by the foodstuffs component decreased by 1.62 m-o-m and the transportation, communication and financial services component fell by 0.05% m-o-m. Meanwhile, the inflation was posted by the prepared food component rose by 0.29% m-o-m and the education component rose by 0.54% m-o-m. Furthermore, the housing component experienced rose by 0.21% compared to preceding month, the clothing component rose by 0.27% m-o-m, and the medical care component increased by 0.41% m-o-m.

Deflation in the foodstuffs component in September 2018 mainly stemmed from lower prices of Chicken meat, onion, fish, eggs, tomato, red pepper, chili, "jengkol", long bean, cucumber, and garlic. We believe the price decrease in these products were mainly due to

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

Meantime, deflation in the transportation, communication, and financial services component in September 2018 came primarily from lower prices of air freight fares.

Meanwhile, inflation in the prepared foods component in September 2018 mainly stemmed from higher prices of noodles, cigarette, white cigarette, and filter cigarette. Inflation in the housing component in September 2018 still came primarily from higher prices of a worker is not a foreman wages and servants wages.

Furthermore, inflation in the education, recreation and sports component in September 2018 mainly stemmed from higher prices of tuition fees for academy/university. Inflation in the medical care component in September 2018 still came primarily from higher price of body care and cosmetics sub-sector. Inflation in the clothing component in September 2018 came primarily from higher prices of gold jewelry.

On a yearly basis, inflation remains in check with the downward trend still intact, as the inflation decreased to 2.88% y-o-y in September 2018 compare 3.20% y-o-y in the previous month. Furthermore, year to date inflation in January-September 2018 reached 1.94% lower than 2.66% for the same time frame in 2017.

### CPI Outlook

We expect inflationary pressure to remain manageable in October 2018. This was mainly due to the falling prices of several food commodities such as eggs, chicken, beef, and onion. Meanwhile, some food commodities experienced price increases such as rice, chili, red pepper, instant noodles, and milk. Inflationary pressure is also caused by the increase in non-subsidized fuel prices, Toll tariffs, and car prices. In addition, the weakening of Rupiah also raised imported inflation. Meantime, the price of gold jewelry also slightly increases in this month. Based on these factors, we expect the consumer price index in October 2018 will reach 0.19% m-o-m, higher than -0.18% m-o-m in September 2018. Furthermore, we expect the yearly inflation rate in October 2018 will increase to 3.07% y-o-y from 2.88% y-o-y in September 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 manageable in October 2018. The pressure comes from the increase in price of gold jewelry, Toll tariff, car prices, housing rent, housing contract, servant wages, and the weakening of Rupiah. We expect core inflation in October 2018 will reach 0.18% m-o-m, lower than 0.28% m-o-m in September 2018. However, we expect the yearly core inflation in October 2018 may slightly increase to 2.83% y-o-y from 2.82% y-o-y in the previous month. Forward looking, we also expect core inflation may reach 2.87% by the end of 2018.

## Changes in Consumer Price Index (Percent)

	M-on-M changes			Y-on-Y changes			YTD (Jan-Sep)		
	Jul-18	Aug-18	Sep-18	Jul-18	Aug-18	Sep-18	2016	2017	2018
FOODSTUFF	0.86	-1.10	-1.62	5.35	4.90	3.75	3.66	-0.90	1.54
PREPARED FOOD	0.45	0.35	0.29	4.00	4.10	4.04	4.39	3.26	3.20
HOUSING	0.16	0.25	0.21	1.97	2.12	2.11	0.99	4.64	1.63
CLOTHING	0.29	-0.07	0.27	3.80	3.41	3.15	3.86	3.48	2.71
MEDICAL CARE	0.27	0.20	0.41	2.93	2.93	3.18	2.98	2.31	2.50
EDUCATION	0.83	1.03	0.54	3.62	3.76	3.25	2.55	2.99	2.91
TRANSPORTATION	-0.65	-0.15	-0.05	1.34	1.80	1.74	-1.86	3.50	1.03
<b>GENERAL</b>	<b>0.28</b>	<b>-0.05</b>	<b>-0.18</b>	<b>3.18</b>	<b>3.20</b>	<b>2.88</b>	<b>1.97</b>	<b>2.66</b>	<b>1.94</b>
<b>Food and Non-Food</b>									
FOOD	0.67	-0.44	-0.75	4.73	4.53	3.88	3.99	0.97	2.30
NON-FOOD	0.02	0.19	0.19	2.24	2.42	2.33	0.01	0.13	0.12

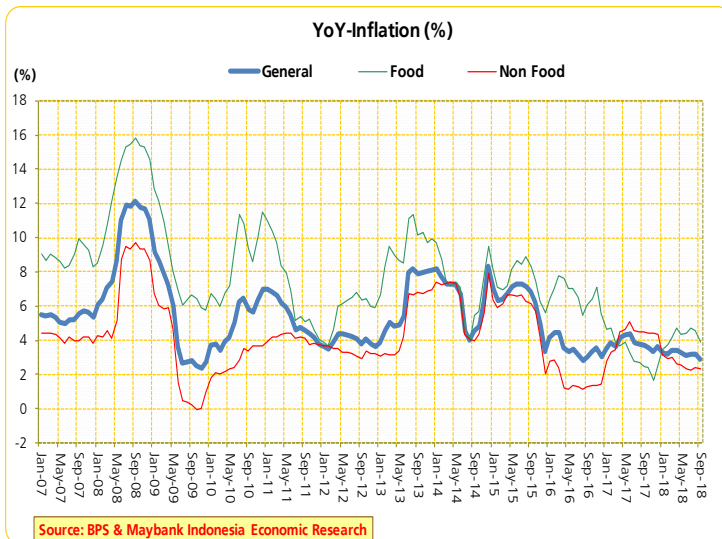
Source : BPS & Maybank Indonesia Economic Research

## Main Driven of Inflation by Component

Component	Change (%)	Drivers	Contribute (%)
Foodstuffs	-1.62	Chicken meat, onion, fish, eggs, tomato, red pepper, chili, "jengkol", long bean, cucumber, and garlic	-0.35
Prepared foods, beverages and cigarettes	0.29	Noodles, cigarette, white cigarette, and filter cigarette	0.05
Housing	0.21	The wage of a worker is not a foreman and servants wages	0.05
Clothing	0.27	Gold jewelry	0.02
Medical Care	0.41	Body care and cosmetics sub-sector	0.02
Education, recreation and sports	0.54	Tuition fees for academy/university	0.04
Transportation and Communications	-0.05	Air freight fares	-0.01
<b>Total</b>			<b>-0.18</b>

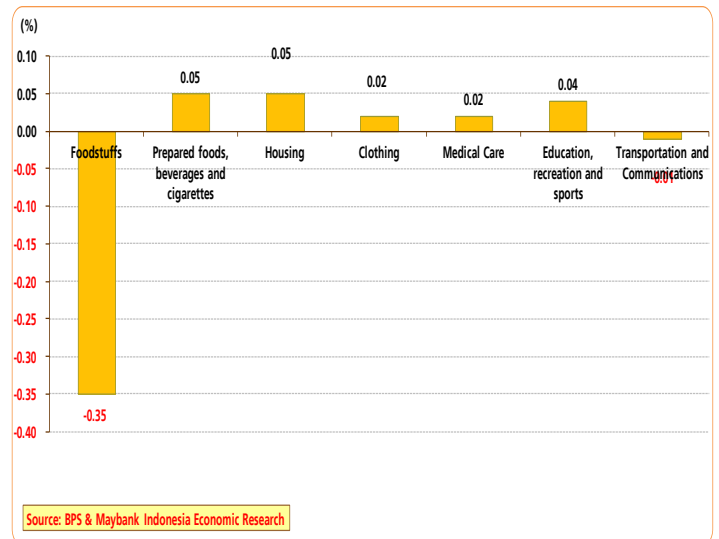
Source : BPS & Maybank Indonesia Economic Research

## Year on year Inflation



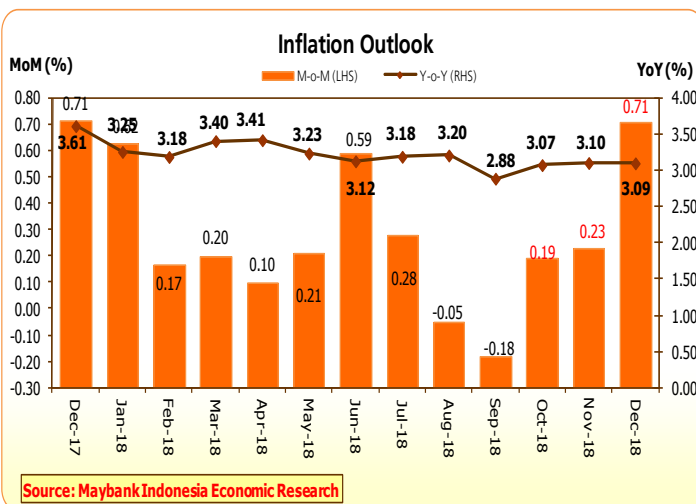
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## Share of the Component Inflation



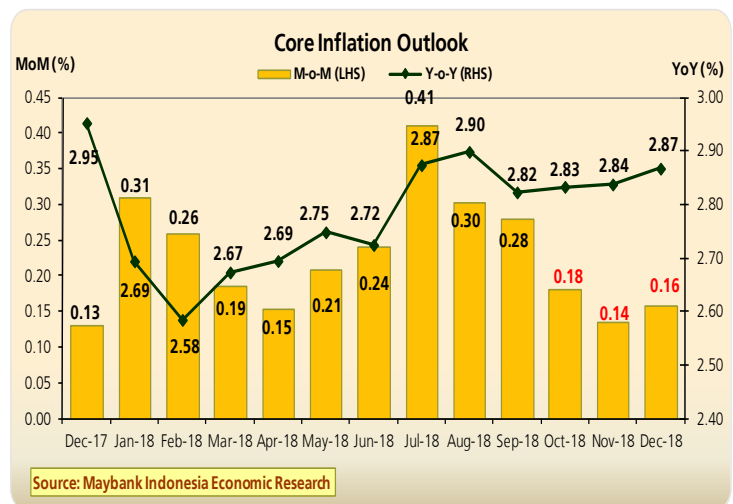
Source : BPS & Maybank Indonesia Economic Research

## Inflation Outlook 2018



Source : Maybank Indonesia Economic Research

## Core Inflation Outlook 2018



Source : Maybank Indonesia Economic Research

## Macro Economic Indicators

INDICATORS	2014	2015	2016	2017	2018F
<b>Inflation (%YoY)</b>	8.36	3.35	3.02	3.61	3.09
<b>Inflation (% avg)</b>	6.42	6.38	3.53	3.81	3.18
<b>Core Inflation (%YoY)</b>	4.93	3.95	3.07	2.95	2.87
<b>Core Inflation (% avg)</b>	4.53	4.89	3.35	3.15	2.77
<b>Exchange Rate Eop (Rp/US\$)</b>	12440	13795	13436	13548	15250
<b>Exchange Rate Avg (Rp/US\$)</b>	11885	13458	13330	13397	14415
<b>Curent Account (% GDP)</b>	-3.09	-2.03	-1.82	-1.70	-2.90
<b>Fiscal Balance (% GDP)</b>	-2.20	-2.80	-2.46	-2.46	-2.20
<b>Interest Rate</b>					
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	6.93
Lending rate working capital (% p.a)	12.81	12.46	11.36	10.68	11.15
<b>Credit</b>					
<b>Growth (% YoY)</b>					
Property Credit	17.29	11.86	14.98	13.05	13.90
Consumer credit	11.51	9.09	8.76	11.04	10.86
Working Capital Credit	10.83	9.04	6.93	8.48	10.72
Investment Credit	13.16	14.69	8.65	4.82	12.02
<b>Total Credit</b>	11.58	10.44	7.87	8.24	11.08
<b>Deposit</b>	12.29	7.26	9.60	9.35	8.49
<b>NPL Commercial Banks (%)</b>	2.16	2.49	2.93	2.59	2.48
<b>Car Sales (1000 Units)</b>	1208	1013	1062	1080	1145
<b>Car Sales Growth (%)</b>	-1.78	-16.12	4.79	1.70	6.02
<b>Motorcycle Sales (1000 Units)</b>	7867	6480	5931	5886	6372
<b>Motorcycle Sales Growth (%)</b>	1.59	-17.63	-8.47	-0.76	8.25
<b>Unemployment Rate (%)</b>	5.94	6.18	5.61	5.50	5.30
<b>International Reserve (US\$ bn)</b>	111.9	105.9	116.4	130.2	115.0
<b>GDP Growth (%)</b>	5.01	4.88	5.03	5.07	5.18

Note : the red numbers are forecast

Source : Maybank Indonesia Economic Research

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