

Monthly CPI Outlook: “Remain Low”

September 2020

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CPI Review

Consumer Price Index (CPI) in August 2020 reached -0.05% m-o-m (deflation) better than -0.10% m-o-m in the preceding month. This second consecutive month of deflation reflects low domestic demand due to weak purchasing power. All of this is the impact of the Covid-19 pandemic, which still shows an increase in infections in Indonesia. Based component, the deflation was mainly posted by the Food & Beverage Provision/Restaurant component fell by 0.86% m-o-m and the transportation component fell by 0.14% m-o-m. Meanwhile, inflation was mainly posted by the personal care and other services component rose by 2.02% m-o-m, the education component rose by 0.57% m-o-m, and the Food and Beverage Provision/Restaurant component increased by 0.13% m-o-m. Furthermore, the Household Equipment, Equipment and Routine Maintenance component rose by 0.08% m-o-m, the information, communication, and financial service component rose by 0.03% m-o-m, and the clothing and footwear component experienced rose by 0.07% m-o-m. Moreover, the recreation, sports and culture component rose by 0.05% m-o-m, the health component rose by 0.06% m-o-m, and the Housing, Water, Electricity, and Other Fuel component increased by 0.02% m-o-m,

Deflation in the food, beverage and tobacco component in August 2020 mainly stemmed from lower prices of chicken meat, onion, tomato, eggs, spinach, cucumber, oranges, banana, and sugar. Deflation in the transportation component in August 2020 came primarily from lower prices of air freight rates.

Meanwhile, inflation in the personal care and other services component in August 2020 mainly stemmed from higher prices of gold and jewelry. Inflation in the education component in August 2020 still came primary from higher tuition fees (elementary school, senior high school, and university). Inflation in the Food and Beverage Provision/Restaurant component in August 2020 mainly stemmed from higher prices of food and beverage service sub sector.

Furthermore, inflation in the Household Equipment, Equipment and Routine Maintenance component in August 2020 mainly came from higher prices of housing and garden equipment sub sector. Inflation in the Housing, Water, Electricity, and Other Fuel component in August 2020 mainly came from higher prices of housing renovation sub-sector.

On a yearly basis, inflation remains in check with the downward trend still intact, as the inflation eased to 1.32% y-o-y in August 2020 compare 1.54% y-o-y in the previous month. Furthermore, year to date inflation in January-August 2020 reached 0.93% lower than 2.48% for the same time frame in 2019.

CPI Outlook

We expect monthly inflationary pressures remain low in September 2020. This is caused by the weakening domestic demand. Furthermore, this condition is triggered by the weakening of the purchasing power and the high level of Covid-19 infection in Indonesia. Price increases occur in the foods, beverage, and tobacco components such as cooking oil, garlic, and red pepper. Furthermore, this month's inflationary pressures were also caused by increases cigarette, and tuition fee (university and academy). Meanwhile, deflationary pressures were caused by decrease in prices of eggs, chicken meat, onion, oranges, air freight rates, and gold jewelry. Based on these factors, we expect the consumer price index in September 2020 will reach -0.01% m-o-m, higher than -0.05% m-o-m in August 2020. Nevertheless, we expect the yearly inflation rate in September 2020 will increase to 1.46% y-o-y from 1.32% y-o-y in August 2020.

Meanwhile, we expect monthly core inflationary pressures still manageable in September 2020. The pressure mainly comes from the increase in prices of cigarettes and tuition fees (university and academy). We expect core inflation in September 2020 will reach 0.28% m-o-m, slightly lower than 0.29% m-o-m in August 2020. Furthermore, we expect the yearly core inflation in September 2020 may decrease to 2.00% y-o-y from 2.06% y-o-y in the previous month.

Changes in Consumer Price Index (Percent)

	M-on-M changes			Y-on-Y changes			YTD (Jan-Aug)
	Jun-20	Jul-20	Aug-20	Jun-20	Jul-20	Aug-20	2020
Food, Beverage and Tobacco	0.47	-0.73	-0.86	3.03	1.73	0.79	1.31
Clothing and Footwear	0.02	0.09	0.07	1.27	1.13	1.14	0.76
Housing, Water, Electricity, and Other Fuel	-0.04	-0.01	0.02	1.12	0.93	0.64	0.33
Household Equipment, Equipment and Routine Maintenance	-0.03	0.10	0.08	1.66	1.52	1.55	0.75
Health	0.13	0.29	0.06	4.16	4.20	3.65	1.96
Transportation	0.41	-0.17	-0.14	-0.95	-0.71	-0.13	-1.14
Information, Communication, and Financial Service	-0.06	0.02	0.03	-0.30	-0.31	-0.24	-0.33
Recreation, Sports, and Culture	0.13	0.15	0.05	1.42	1.26	1.16	0.68
Education	0.00	0.16	0.57	3.66	2.66	1.61	0.62
Food and Beverage Provision/Restaurant	0.28	0.15	0.13	2.96	2.57	2.45	1.55
Personal Care and Other Services	-0.08	0.93	2.02	5.66	6.05	7.47	6.20
GENERAL	0.18	-0.10	-0.05	1.96	1.54	1.32	0.93

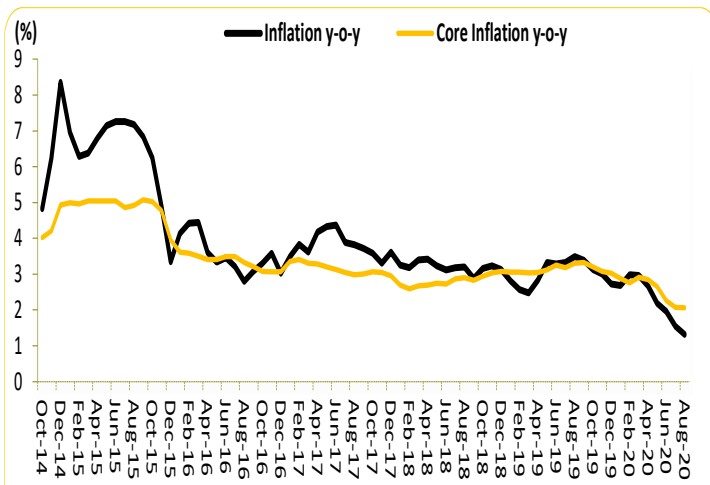
Source : BPS & Maybank Indonesia Economic Research

Main Driven of Inflation by Component

Component	Change (%)	Drivers	Contribute (%)
Food, Beverage and Tobacco	-0.86	Chicken meat, onion, tomato, eggs, spinach, cucumber, oranges, banana, and sugar	-0.22
Clothing and Footwear	0.07	Clothing sub-sector	0.00
Housing, Water, Electricity, and Other Fuel	0.02	Housing renovation sub-sector	0.01
Household Equipment, Equipment and Routine Maintenance	0.08	Housing and garden equipment sub sector	0.01
Health	0.06	Medicines and health products sub-sector	0.00
Transportation	-0.14	Air freight rates	-0.02
Information, Communication, and Financial Service	0.03	Information and communication services sub sector	0.00
Recreation, Sports, and Culture	0.05	Other recreational and sports goods sub sector	0.00
Education	0.57	Tuition fees (elementary, senior high school, and university)	0.03
Food and Beverage Provision/Restaurant	0.13	Food and beverage service sub sector	0.01
Personal Care and Other Services	2.02	Gold and jewelry	0.13
Total			-0.05

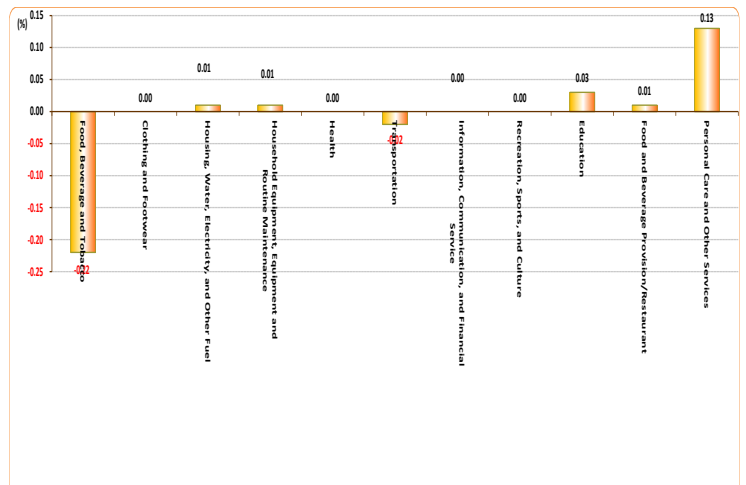
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Year on Year Inflation



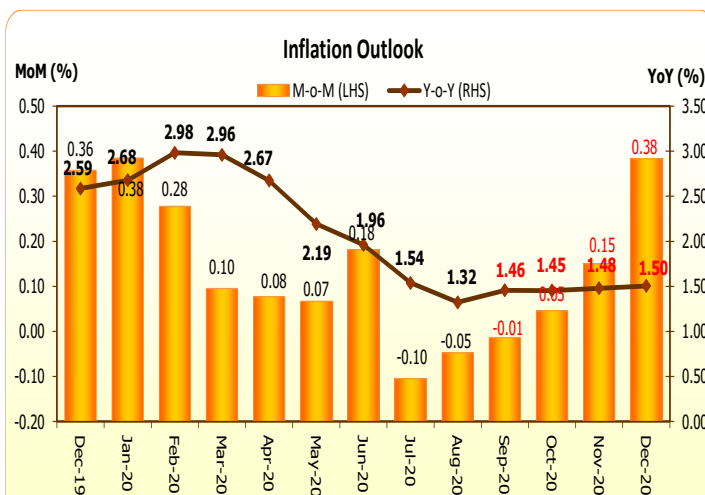
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Share of the Component Inflation



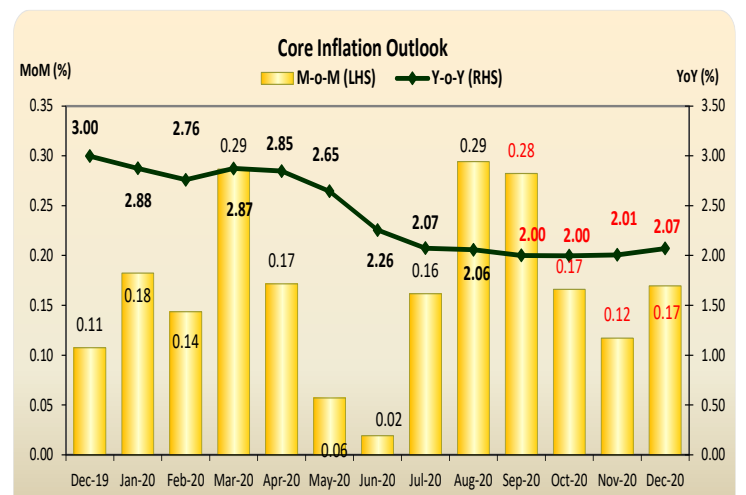
Source: BPS & Maybank Indonesia Economic Research

Inflation Outlook 2020



Source: Maybank Indonesia Economic Research

Core Inflation Outlook 2020



Source: Maybank Indonesia Economic Research

Macro Economic Indicators

INDICATORS	2017	2018	2019	2020F
Inflation (%YoY)	3.61	3.13	2.59	1.50
Inflation (% avg)	3.81	3.20	2.82	2.02
Core Inflation (%YoY)	2.95	3.07	3.00	2.07
Core Inflation (% avg)	3.15	2.81	3.14	2.37
Exchange Rate Eop (Rp/US\$)	13548	14481	13901	14186
Exchange Rate Avg (Rp/US\$)	13397	14267	14313	14568
Curent Account (% GDP)	-1.60	-2.94	-2.72	-1.37
Fiscal Balance (% GDP)	-2.51	-1.82	-2.18	-6.25
Interest Rate				
BI 7-Day (Reverse) Repo Rate (% p.a)	4.25	6.00	5.00	4.00
Time Deposit 3 month (% p.a)	6.11	6.84	6.30	5.35
Lending rate working capital (% p.a)	10.68	10.34	10.03	9.46
Credit				
Growth (% YoY)				
Property Credit	13.05	16.33	9.73	2.39
Consumer credit	11.04	10.35	5.81	0.98
Working Capital Credit	8.48	13.03	2.55	0.87
Investment Credit	4.82	10.94	13.18	2.99
Total Credit	8.24	11.75	6.08	1.46
Deposit	9.36	6.45	6.54	4.49
NPL Commercial Banks (%)	2.59	2.37	2.53	3.10
Car Sales (1000 Units)	1080	1151	1029	580
Car Sales Growth (%)	1.70	6.62	-10.63	-43.73
Motorcycle Sales (1000 Units)	5886	6383	6487	3860
Motorcycle Sales Growth (%)	-0.76	8.44	1.63	-40.50
Unemployment Rate (%)	5.50	5.34	5.28	8.52
International Reserve (US\$ bn)	130.2	120.7	129.2	135.2
GDP Growth (%)	5.07	5.17	5.02	-1.22

Note : the red numbers are forecast

Source : Maybank Indonesia Economic Research

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