

Monthly CPI Outlook: “ Still in control”

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CPI Review

Consumer Price Index (CPI) in March 2020 remained controlled. Monthly inflation in March reached 0.10% m-o-m lower than 0.28% m-o-m in the preceding month. Based component, inflation was mainly posted by the foods, beverage, and tobacco component increased by 0.10% m-o-m, the personal care and other services component rose by 0.99% m-o-m and the clothing and footwear component experienced rose by 0.12% m-o-m. Furthermore, the Food and Beverage Provision/Restaurant component rose by 0.23% m-o-m, the Household Equipment, Equipment and Routine Maintenance component rose by 0.28% m-o-m, and the health component rose by 0.21% m-o-m. Meanwhile, the deflation was mainly posted by the transportation component fell by 0.43% m-o-m and the information, communication, and financial service component fell by 0.09% m-o-m.

Inflation in the food, beverage and tobacco component in March 2020 mainly stemmed from higher prices of Eggs, onion, sugar, spinach, kale, grapes, oranges, cigarette, white cigarette, and filter cigarette. Inflation in the personal care and other services component in March 2020 mainly stemmed from higher prices of gold and jewelry.

Furthermore, inflation in the clothing and footwear component in March 2020 mainly came from higher prices of footwear sub-sector. Inflation in the Food and Beverage Provision/Restaurant component in March 2020 mainly stemmed from higher prices of rice with meal and “soto”.

Moreover, inflation in the Household Equipment, Equipment and Routine Maintenance component in March 2020 mainly came from higher prices of detergent soap. Inflation in the health component in March 2020 still came primarily from higher prices of medicines and health products sub-sector

Meanwhile, deflation in the transportation component in March 2020 still came primarily from lower prices of air freight rates. Deflation in the information, communication, and financial service component in March 2020 mainly stemmed from higher prices of information and communication equipment sub-sector.

On a yearly basis, inflation remains in check with the downward trend still intact, as the inflation eased to 2.96% y-o-y in March 2020 compare 2.98% y-o-y in the previous month. Nevertheless, year to date inflation in January-March 2020 reached 0.76% higher than 0.35% for the same time frame in 2019.

CPI Outlook

We expect monthly inflation to be higher in April 2020 compared to the previous month. This is caused by Ramadhan effects that usually increase demand for goods and services. Price increases occur in the foods, beverage, and tobacco components such as onion, oranges, sugar, mineral water, rice, “tempe”, “tahu”, cigarette, filter cigarette, and white cigarette. Furthermore, this month’s inflationary pressures were also caused by increases in gold and jewelry price inline with the rising of international gold price. Meanwhile, deflationary pressures were caused by decrease in prices of red pepper, chicken meat, eggs, garlic, and air freight rates. However, overall inflation in this month is still in control. Based on these factors, we expect the consumer price index in April 2020 will reach 0.15% m-o-m, higher than 0.10 m-o-m in March 2020. However, we expect the yearly inflation rate in April 2020 will decrease to 2.75% y-o-y from 2.96% y-o-y in March 2020.

Meanwhile, we expect monthly core inflationary pressures may decrease in April 2020. The pressure mainly comes from the increase in price of gold jewelry. We expect core inflation in April 2020 will reach 0.12% m-o-m, lower than 0.29% m-o-m in March 2020. Furthermore, we expect the yearly core inflation in April 2020 may slightly decrease to 2.86% y-o-y from 2.87% y-o-y in the previous month.

Changes in Consumer Price Index (Percent)

	M-on-M changes			Y-on-Y changes			YTD (Jan-Mar) 2020
	Jan-20	Feb-20	Mar-20	Jan-20	Feb-20	Mar-20	
Food, Beverage and Tobacco	1.62	0.95	0.10	4.31	6.02	6.15	2.69
Clothing and Footwear	0.12	0.21	0.12	2.42	2.45	2.44	0.46
Housing, Water, Electricity, and Other Fuel	0.13	0.09	0.02	1.60	1.38	1.32	0.23
Household Equipment, Equipment and Routine Maintenance	0.09	0.06	0.28	2.81	2.71	2.62	0.42
Health	0.42	0.34	0.21	3.87	3.99	4.04	0.97
Transportation	-0.89	-0.37	-0.43	0.05	-0.31	-1.09	-1.67
Information, Communication, and Financial Service	0.04	-0.01	-0.09	-0.11	-0.06	-0.12	-0.06
Recreation, Sports, and Culture	0.18	0.07	0.02	1.80	1.73	1.61	0.26
Education	-0.14	0.02	0.00	3.81	3.77	3.77	-0.11
Food and Beverage Provision/Restaurant	0.19	0.17	0.36	3.97	3.79	4.01	0.72
Personal Care and Other Services	0.46	0.41	0.99	4.71	4.64	5.40	1.88
GENERAL	0.39	0.28	0.10	2.68	2.98	2.96	0.76

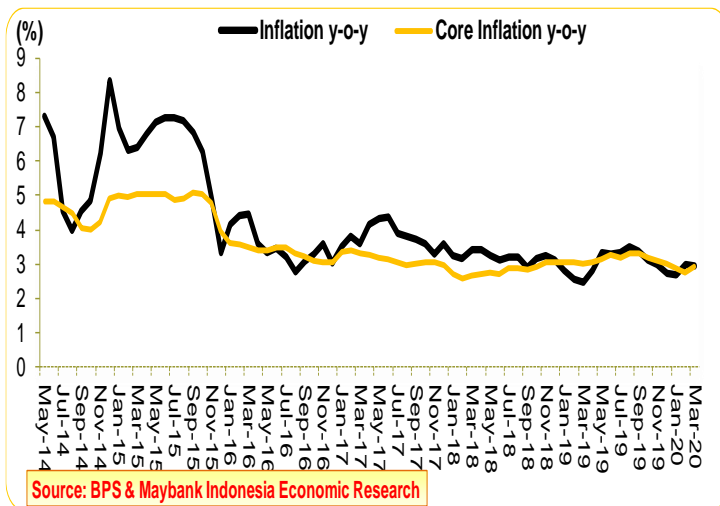
Source : BPS & Maybank Indonesia Economic Research

Main Driven of Inflation by Component

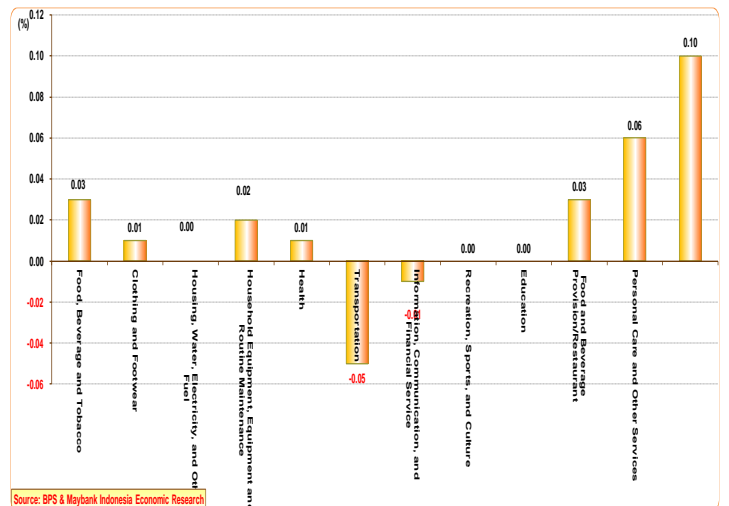
Component	Change (%)	Drivers	Contribute (%)
Food, Beverage and Tobacco	0.10	Eggs, onion, sugar, spinach, kale, grapes, oranges, cigarette, white cigarette, and filter cigarette	0.03
Clothing and Footwear	0.12	Footwear sub-sector	0.01
Housing, Water, Electricity, and Other Fuel	0.02	Electricity and household fuel sub-sector	0.00
Household Equipment, Equipment and Routine Maintenance	0.28	Detergent soap	0.02
Health	0.21	Medicines and health products sub-sector	0.01
Transportation	-0.43	Air freight rates	-0.05
Information, Communication, and Financial Service	-0.09	Information and communication equipment sub-sector	-0.01
Recreation, Sports, and Culture	0.02	Newspaper, books, and school supplies sub-sector	0.00
Education	0.00	Other education sub-sector	0.00
Food and Beverage Provision/Restaurant	0.36	Rice with meal and "soto"	0.03
Personal Care and Other Services	0.99	Gold and jewelry	0.06
Total			0.10

Source : BPS & Maybank Indonesia Economic Research

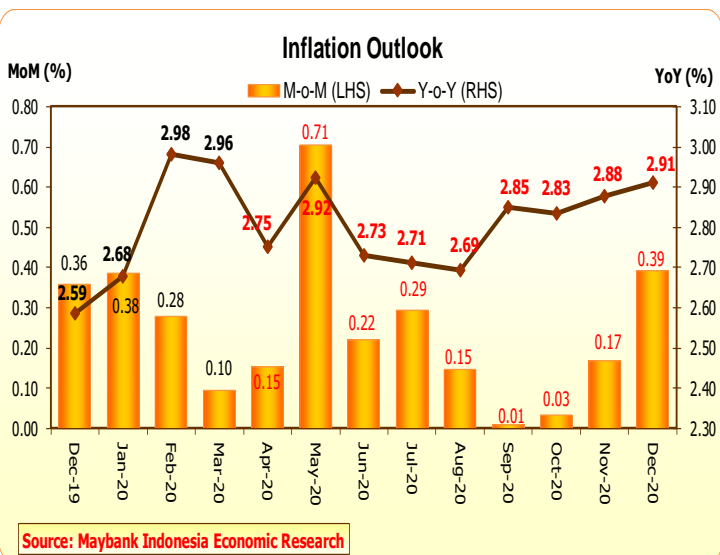
Year on year Inflation



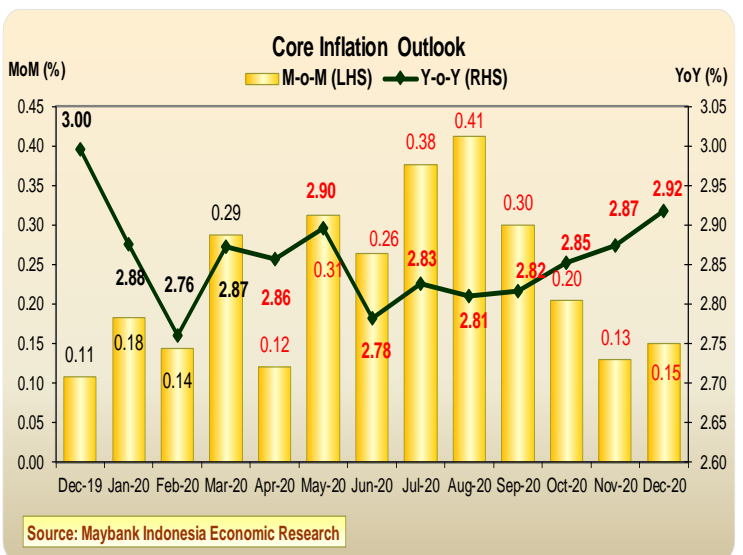
Share of the Component Inflation



Inflation Outlook 2020



Core Inflation Outlook 2020



Macro Economic Indicators

INDICATORS	2015	2016	2017	2018	2019	2020F
Inflation (%YoY)	3.35	3.02	3.61	3.13	2.59	2.91
Inflation (% avg)	6.38	3.53	3.81	3.20	3.03	2.83
Core Inflation (%YoY)	3.95	3.07	2.95	3.07	3.00	2.92
Core Inflation (% avg)	4.89	3.35	3.15	2.81	3.14	2.85
Exchange Rate Eop (Rp/US\$)	13795	13436	13548	14481	13901	14186
Exchange Rate Avg (Rp/US\$)	13458	13330	13397	14267	14313	15184
Curent Account (% GDP)	-2.03	-1.82	-1.60	-2.94	-2.72	-2.40
Fiscal Balance (% GDP)	-2.80	-2.46	-2.46	-1.76	-2.20	-5.07
Interest Rate						
BI 7-Day (Reverse) Repo Rate (% p.a)	6.25	4.75	4.25	6.00	5.00	4.25
Time Deposit 3 month (% p.a)	7.99	6.69	6.11	6.84	6.30	5.60
Lending rate working capital (% p.a)	12.46	11.36	10.68	10.34	10.03	9.61
Credit						
Growth (% YoY)						
Property Credit	11.86	14.98	13.05	16.33	9.73	3.10
Consumer credit	9.09	8.76	11.04	10.35	5.81	2.29
Working Capital Credit	9.04	6.93	8.48	13.03	2.55	2.42
Investment Credit	14.69	8.65	4.82	10.94	13.18	7.96
Total Credit	10.44	7.87	8.24	11.75	6.08	3.84
Deposit	7.26	9.60	9.36	6.45	6.54	4.80
NPL Commercial Banks (%)	2.49	2.93	2.59	2.37	2.53	3.01
Car Sales (1000 Units)	1013	1062	1080	1151	1027	818
Car Sales Growth (%)	-16.12	4.79	1.70	6.62	-10.81	-20.37
Motorcycle Sales (1000 Units)	6480	5931	5886	6383	6487	5196
Motorcycle Sales Growth (%)	-17.63	-8.47	-0.76	8.44	1.63	-19.91
Unemployment Rate (%)	6.18	5.61	5.50	5.34	5.28	7.56
International Reserve (US\$ bn)	105.9	116.4	130.2	120.7	129.2	118.7
GDP Growth (%)	4.88	5.03	5.07	5.17	5.02	2.03

Note : the red numbers are forecast

Source : Maybank Indonesia Economic Research

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