

Monthly CPI Outlook: “Remain Controlled”

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CPI Review

Consumer Price Index (CPI) in July 2019 remained manageable. Monthly inflation in July reached 0.31% m-o-m lower than 0.55% m-o-m in the preceding month. Based component, the inflation was posted by the foodstuffs component rose by 0.80% m-o-m, the education component rose by 0.92% m-o-m, and the clothing component rose by 0.70% m-o-m. Furthermore, the housing component experienced increased by 0.14% m-o-m, the prepared food component rose by 0.24% m-o-m, and the medical care component increased by 0.18% m-o-m. Meanwhile, deflation was posted by the transportation, communication and financial services component fell by 0.36% m-o-m.

Inflation in the foodstuffs component in July 2019 mainly stemmed from higher prices of red pepper, chili, cucumber, green pepper, apples and pear. We believe the price increase in these products were mainly due to

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

Furthermore, inflation in the clothing component in July 2019 still came primarily from higher prices of gold jewelry. Inflation in the education, recreation and sports component in July 2019 mainly stemmed from higher prices of tuition fees for elementary, junior and high school.

Meantime, inflation in the prepared foods component in July 2019 mainly stemmed from higher prices of grilled chicken. Inflation in the housing component in July 2019 came primarily from higher prices of builder wages. Inflation in the medical care component in July 2019 came primarily from higher prices of medicines sub-sector.

Meanwhile, deflation in the transportation, communication, and financial services component in July 2019 came primarily from lower prices of inter-city freight cost, air freight rates, and train tariff.

On a yearly basis, inflation remains in check with the upward trend still intact, as the inflation increased to 3.32% y-o-y in July 2019 compare 3.28% y-o-y in the previous month. Furthermore, year to date inflation in January-July 2019 reached 2.36% higher than 2.18% for the same time frame in 2018.

CPI Outlook

We expect inflation pressure in August 2019 to remain controlled. The impact of drought in several regions in Indonesia has made the price of some foodstuffs increase such as chili, red pepper, green pepper, and rice. However, some foodstuffs have decreased prices such as chicken, onions, garlic, and oranges. Furthermore, air freight fares declined. Meanwhile, inflationary pressures also stemmed from the rise in gold jewelry prices along with the increase in world gold prices. The impact of the new school year makes the cost of education going up for academy and university. Based on these factors, we expect the consumer price index in August 2019 will reach 0.21% m-o-m, lower than 0.31 m-o-m in July 2019. Nevertheless, we expect the yearly inflation rate in August 2019 will increase to 3.59% y-o-y from 3.32% y-o-y in July 2019. Looking ahead, we expect yearly inflation will reach 3.70% in 2019 increase compare 3.13% in 2018.

Meanwhile, we expect core inflationary pressures also remain controlled in August 2019. The pressure still comes from the increase in price of tuition fees, gold jewelry, housing contract, housing rents, and servant wages. We expect core inflation in August 2019 will reach 0.29% m-o-m, lower than 0.33% m-o-m in July 2019. Furthermore, we expect the yearly core inflation in August 2019 may slightly decrease to 3.17% y-o-y from 3.18% y-o-y in the previous month. Forward looking, we also expect core inflation may reach 3.10% by the end of 2019.

Changes in Consumer Price Index (Percent)

	M-on-M changes			Y-on-Y changes			YTD (Jan-Jul)		
	May-19	Jun-19	Jul-19	May-19	Jun-19	Jul-19	2017	2018	2019
FOODSTUFF	2.02	1.63	0.80	4.14	4.91	4.85	0.31	4.36	5.80
PREPARED FOOD	0.56	0.59	0.24	3.79	3.98	3.77	2.65	2.54	2.40
HOUSING	0.06	0.17	0.14	2.39	2.42	2.40	4.31	1.16	1.13
CLOTHING	0.45	0.81	0.70	3.31	3.77	4.19	2.62	2.50	3.10
MEDICAL CARE	0.18	0.19	0.18	3.10	3.02	2.93	1.94	1.89	1.68
EDUCATION	0.03	0.07	0.92	3.20	3.21	3.30	1.04	1.32	1.46
TRANSPORTATION	0.54	-0.14	0.09	3.58	1.91	2.67	4.12	1.23	0.75
GENERAL	0.68	0.55	0.31	3.32	3.28	3.32	2.60	2.18	2.36
Food and Non-Food									
FOOD	1.35	1.16	0.55	3.98	4.49	4.36	1.36	3.53	4.25
NON-FOOD	0.25	0.13	0.28	3.00	2.55	2.82	0.15	0.07	0.10

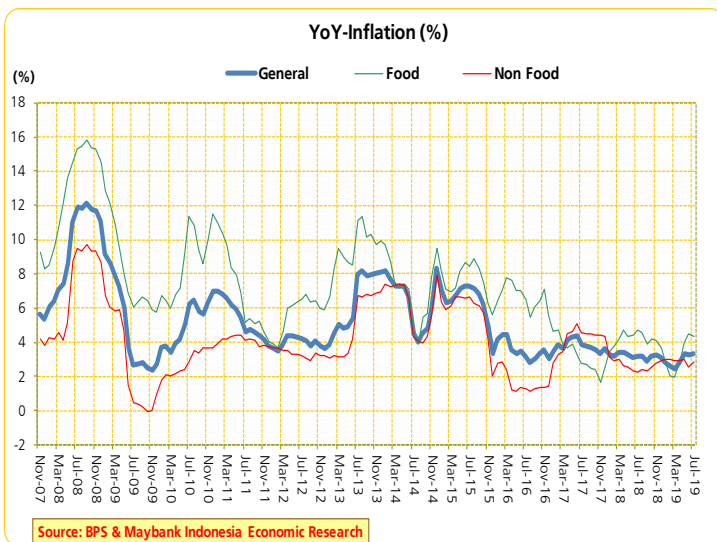
Source : BPS & Maybank Indonesia Economic Research

Main Driven of Inflation by Component

Component	Change (%)	Drivers	Contribute (%)
Foodstuffs	0.80	Red pepper, chili, cucumber, green pepper, apples and pear	0.17
Prepared foods, beverages and cigarettes	0.24	Grilled chicken	0.04
Housing	0.14	Wages of builders	0.04
Clothing	0.70	Gold jewelry	0.04
Medical Care	0.18	Medicines sub-sector	0.01
Education, recreation and sports	0.92	Tuition fees for elementary, junior and high school	0.07
Transportation and Communications	-0.36	Inter-city freight cost, air freight rates, and train tariff	-0.06
Total			0.31

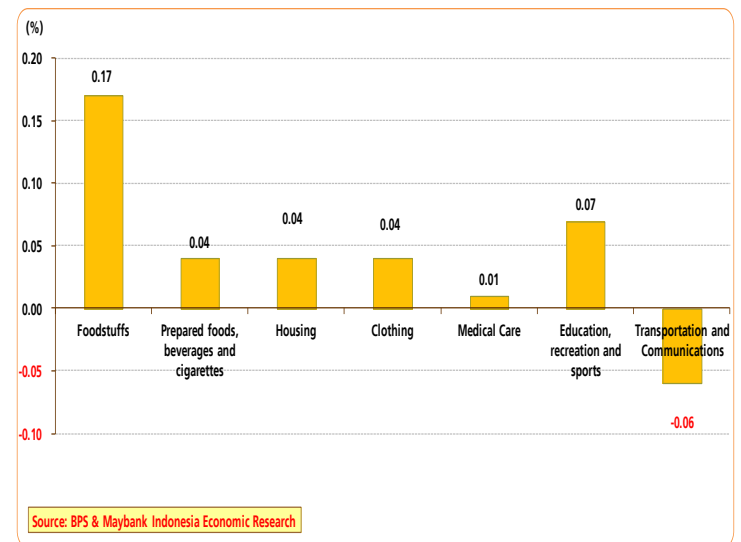
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Year on year Inflation



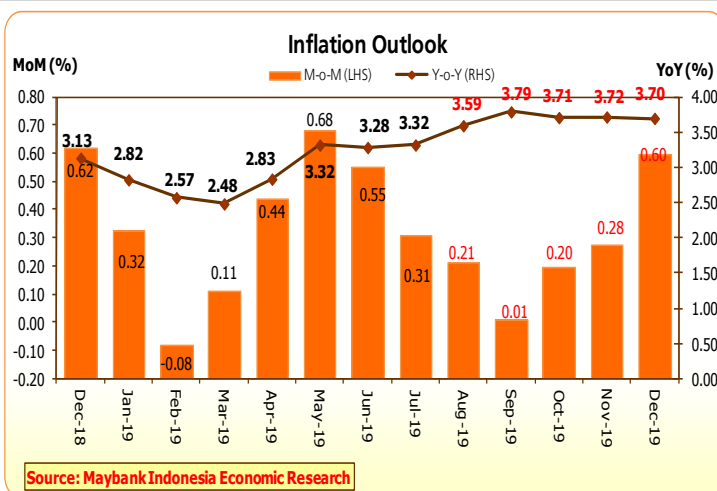
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Share of the Component Inflation



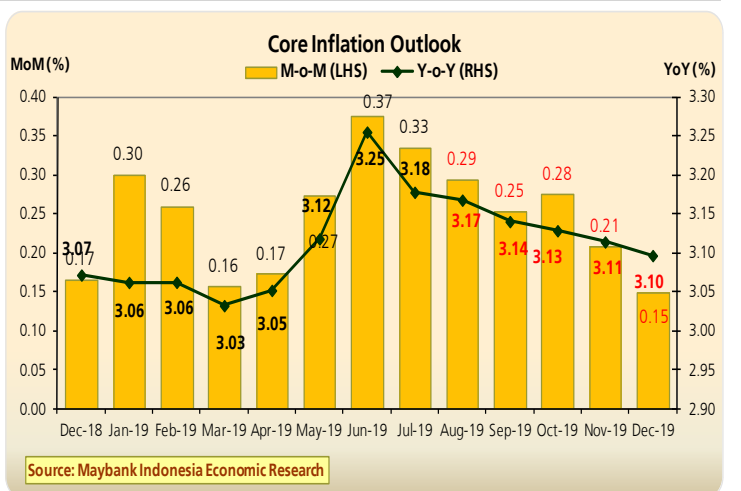
Source : BPS & Maybank Indonesia Economic Research

Inflation Outlook 2019



Source : Maybank Indonesia Economic Research

Core Inflation Outlook 2019



Source : Maybank Indonesia Economic Research

Macro Economic Indicators

INDICATORS	2015	2016	2017	2018	2019F
Inflation (%YoY)	3.35	3.02	3.61	3.13	3.70
Inflation (% avg)	6.38	3.53	3.81	3.20	3.25
Core Inflation (%YoY)	3.95	3.07	2.95	3.07	3.10
Core Inflation (% avg)	4.89	3.35	3.15	2.81	3.10
Exchange Rate Eop (Rp/US\$)	13795	13436	13548	14481	14400
Exchange Rate Avg (Rp/US\$)	13458	13330	13397	14267	14210
Curent Account (% GDP)	-2.03	-1.82	-1.60	-2.98	-2.70
Fiscal Balance (% GDP)	-2.80	-2.46	-2.46	-1.76	-1.90
Interest Rate					
BI 7-Day (Reverse) Repo Rate (% p.a)	6.25	4.75	4.25	6.00	5.00
Time Deposit 3 month (% p.a)	7.99	6.69	6.11	6.84	6.13
Lending rate working capital (% p.a)	12.46	11.36	10.68	10.34	10.05
Credit					
Growth (% YoY)					
Property Credit	11.86	14.98	13.05	16.33	14.54
Consumer credit	9.09	8.76	11.04	10.35	11.14
Working Capital Credit	9.04	6.93	8.48	13.03	11.39
Investment Credit	14.69	8.65	4.82	10.94	8.11
Total Credit	10.44	7.87	8.24	11.75	10.51
Deposit	7.26	9.60	9.36	6.45	8.64
NPL Commercial Banks (%)	2.49	2.93	2.59	2.37	2.52
Car Sales (1000 Units)	1013	1062	1080	1151	1019
Car Sales Growth (%)	-16.12	4.79	1.70	6.62	-11.52
Motorcycle Sales (1000 Units)	6480	5931	5886	6383	6702
Motorcycle Sales Growth (%)	-17.63	-8.47	-0.76	8.44	4.99
Unemployment Rate (%)	6.18	5.61	5.50	5.34	5.10
International Reserve (US\$ bn)	105.9	116.4	130.2	120.7	129.4
GDP Growth (%)	4.88	5.03	5.07	5.17	5.03

Note : the red numbers are forecast

Source : Maybank Indonesia Economic Research

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