

## Monthly CPI Outlook: “Weak Demand: Prices tend to fall”

June 2020

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### CPI Review

Consumer Price Index (CPI) in May 2020 remained manageable. Monthly inflation in April reached 0.07% m-o-m slightly lower than 0.08% m-o-m in the preceding month. Based component, inflation was mainly posted by the transportation component rose by 0.87% m-o-m, the information, communication, and financial service component rose by 0.08% m-o-m, and the personal care and other services component rose by 0.12% m-o-m. Furthermore, the clothing and footwear component experienced rose by 0.09% m-o-m, the Food and Beverage Provision/Restaurant component rose by 0.08% m-o-m, the Household Equipment, Equipment and Routine Maintenance component rose by 0.10% m-o-m, and the health component rose by 0.27% m-o-m. Meanwhile, the deflation was mainly posted by the foods, beverage, and tobacco component decreased by 0.32% m-o-m.

Inflation in the transportation component in May 2020 still came primarily from higher prices of air freight rates and train fares. Inflation in the information, communication, and financial service component in May 2020 mainly stemmed from higher prices of Information and communication equipment sub sector. Inflation in the personal care and other services component in May 2020 still mainly stemmed from higher prices of other personal care sub sector.

Furthermore, inflation in the clothing and footwear component in May 2020 mainly came from higher prices of footwear sub-sector. Inflation in the Food and Beverage Provision/Restaurant component in May 2020 mainly stemmed from higher prices of food and beverage services sub sector.

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

Meanwhile, deflation in the food, beverage and tobacco component in May 2020 mainly stemmed from lower prices of red pepper, eggs, garlic, chili, onion, and sugar.

On a yearly basis, inflation remains in check with the downward trend still intact, as the inflation eased to 2.19% y-o-y in May 2020 compare 2.67% y-o-y in the previous month. Furthermore, year to date inflation in January-May 2020 reached 0.90% lower than 1.48% for the same time frame in 2019.

### CPI Outlook

Although the Government has implemented a new normal policy in June 2020 by opening several business sectors, the movement of economic activity is still slow. This is caused by the purchasing power of consumers is still weak and there are still concerns about Covid-19 infection. This condition makes the prices of goods and services tend to fall. We expect inflation in June 2020 to be very low and likely to be deflationary. Price decreases occur in the foods, beverage, and tobacco components such as garlic, sugar, beef, oranges, red pepper, and chili. Furthermore, this month's deflationary pressures were also caused by decreases in gold and jewelry price and air freight rates. Meanwhile, inflationary pressures were caused by increase in prices of chicken meat, tomato, and eggs. However, overall inflation in this month is still in control. Based on these factors, we expect the consumer price index in June 2020 will reach -0.03% m-o-m, lower than 0.07 m-o-m in May 2020. Furthermore, we expect the yearly inflation rate in June 2020 will decrease to 1.74% y-o-y from 2.19% y-o-y in May 2020.

Meanwhile, we expect monthly core inflationary pressures still manageable in June 2020. The pressure mainly comes from the increase in price of hospital tariff and health products. We expect core inflation in June 2020 will reach 0.15% m-o-m, higher than 0.06% m-o-m in May 2020. Nevertheless, we expect the yearly core inflation in June 2020 may decrease to 2.46% y-o-y from 2.65% y-o-y in the previous month.

## Changes in Consumer Price Index (Percent)

	M-on-M changes			Y-on-Y changes			YTD (Jan-May) 2020
	Mar-20	Apr-20	May-20	Mar-20	Apr-20	May-20	
Food, Beverage and Tobacco	0.10	0.09	-0.32	6.15	5.28	3.37	2.46
Clothing and Footwear	0.12	0.04	0.09	2.44	2.26	1.95	0.58
Housing, Water, Electricity, and Other Fuel	0.02	0.09	0.04	1.32	1.22	1.24	0.36
Household Equipment, Equipment and Routine Maintenance	0.28	0.09	0.10	2.62	2.49	2.25	0.60
Health	0.21	0.23	0.27	4.04	4.08	4.13	1.48
Transportation	-0.43	-0.42	0.87	-1.09	-1.78	-1.37	-1.23
Information, Communication, and Financial Service	-0.09	-0.34	0.08	-0.12	-0.37	-0.29	-0.32
Recreation, Sports, and Culture	0.02	0.03	0.06	1.61	1.56	1.48	0.35
Education	0.00	0.00	0.00	3.77	3.75	3.68	-0.11
Food and Beverage Provision/Restaurant	0.36	0.18	0.08	4.01	3.99	3.62	0.98
Personal Care and Other Services	0.99	1.20	0.12	5.40	6.49	6.46	3.22
<b>GENERAL</b>	<b>0.10</b>	<b>0.08</b>	<b>0.07</b>	<b>2.96</b>	<b>2.67</b>	<b>2.19</b>	<b>0.90</b>

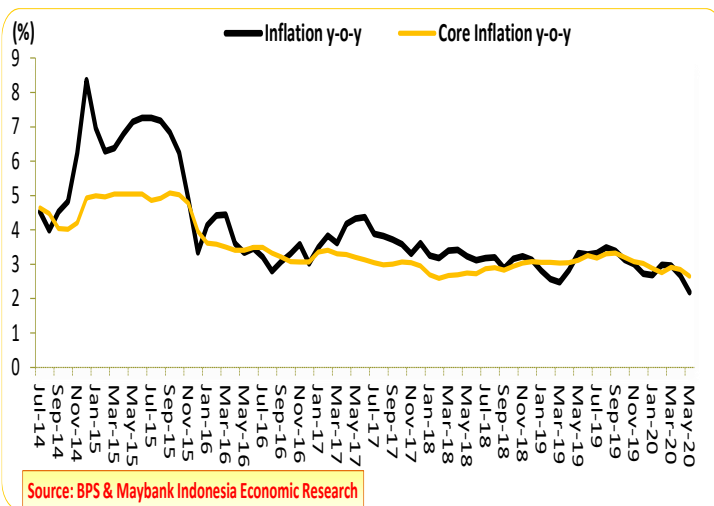
Source : BPS & Maybank Indonesia Economic Research

## Main Driven of Inflation by Component

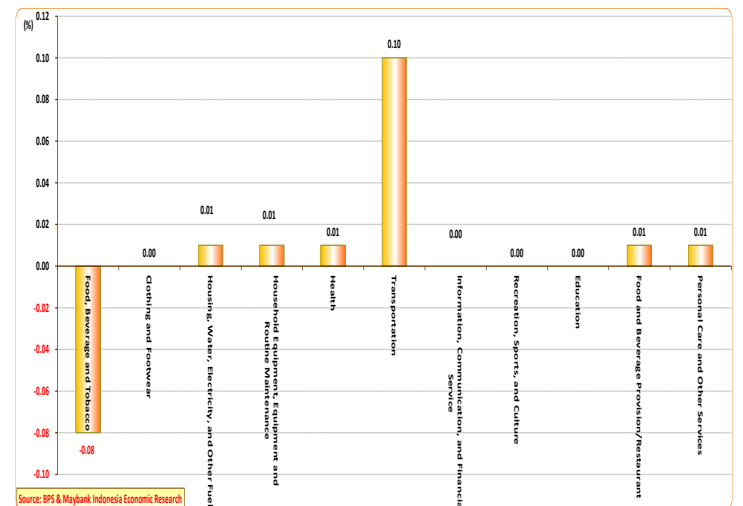
Component	Change (%)	Drivers	Contribute (%)
Food, Beverage and Tobacco	-0.32	Red pepper, eggs, garlic, chili, onion, and sugar.	-0.08
Clothing and Footwear	0.09	Footwear sub-sector	0.00
Housing, Water, Electricity, and Other Fuel	0.04	Electricity and household fuel	0.01
Household Equipment, Equipment and Routine Maintenance	0.10	Glassware and drinking tableware sub sector	0.01
Health	0.27	Medicines and health products sub-sector	0.01
Transportation	0.87	Air freight rates and train fares	0.10
Information, Communication, and Financial Service	0.08	Information and communication equipment sub sector	0.00
Recreation, Sports, and Culture	0.06	Newspaper, books, and school supplies sub-sector	0.00
Education	0.00	Other education sub-sector	0.00
Food and Beverage Provision/Restaurant	0.08	Food and beverage services sub sector	0.01
Personal Care and Other Services	0.12	Other personal care sub sector	0.01
	<b>Total</b>		<b>0.07</b>

Source : BPS & Maybank Indonesia Economic Research

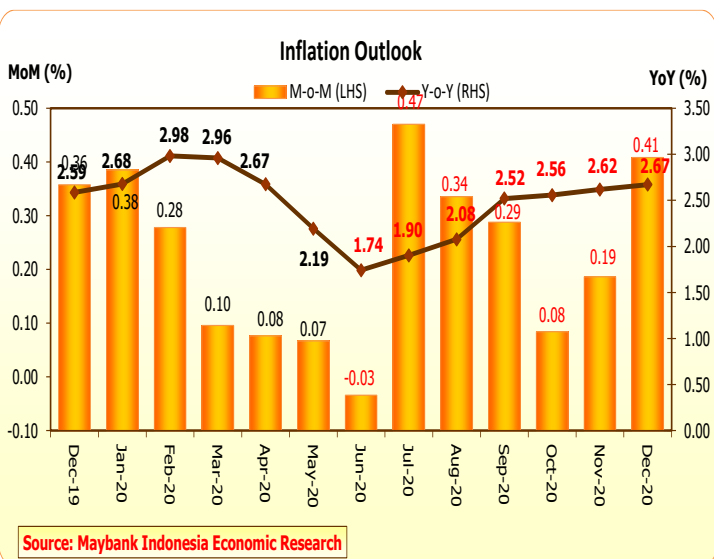
## Year on year Inflation



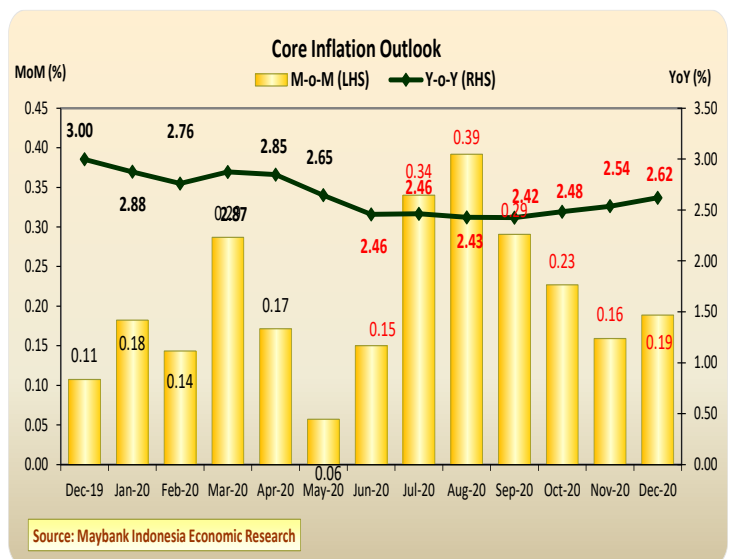
## Share of the Component Inflation



## Inflation Outlook 2020



## Core Inflation Outlook 2020



## Macro Economic Indicators

INDICATORS	2017	2018	2019	2020F
<b>Inflation (%YoY)</b>	3.61	3.13	2.59	2.67
<b>Inflation (% avg)</b>	3.81	3.20	2.82	2.50
<b>Core Inflation (%YoY)</b>	2.95	3.07	3.00	2.62
<b>Core Inflation (% avg)</b>	3.15	2.81	3.14	2.63
<b>Exchange Rate Eop (Rp/US\$)</b>	13548	14481	13901	14186
<b>Exchange Rate Avg (Rp/US\$)</b>	13397	14267	14313	14469
<b>Curent Account (% GDP)</b>	-1.60	-2.94	-2.72	-1.68
<b>Fiscal Balance (% GDP)</b>	-2.51	-1.82	-2.18	-6.34
<b>Interest Rate</b>				
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
<b>Credit</b>				
<b>Growth (% YoY)</b>				
Property Credit	13.05	16.33	9.73	2.60
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
<b>Total Credit</b>	8.24	11.75	6.08	1.46
<b>Deposit</b>	9.36	6.45	6.54	4.06
<b>NPL Commercial Banks (%)</b>	2.59	2.37	2.53	3.10
<b>Car Sales (1000 Units)</b>	1080	1151	1029	604
<b>Car Sales Growth (%)</b>	1.70	6.62	-10.63	-41.31
<b>Motorcycle Sales (1000 Units)</b>	5886	6383	6487	3857
<b>Motorcycle Sales Growth (%)</b>	-0.76	8.44	1.63	-40.55
<b>Unemployment Rate (%)</b>	5.50	5.34	5.28	8.52
<b>International Reserve (US\$ bn)</b>	130.2	120.7	129.2	129.5
<b>GDP Growth (%)</b>	5.07	5.17	5.02	0.04

Note : the red numbers are forecast

Source : Maybank Indonesia Economic Research

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