

Monthly CPI Outlook: “Remain Low”

July 2020

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CPI Review

Consumer Price Index (CPI) in June 2020 was still in control. Monthly inflation in June reached 0.18% m-o-m higher than 0.07% m-o-m in the preceding month. Based component, inflation was mainly posted by the foods, beverage, and tobacco component increased by 0.47% m-o-m, the transportation component rose by 0.41% m-o-m, and the Food & Beverage Provision/Restaurant component rose by 0.28% m-o-m, and Furthermore, the clothing and footwear component experienced rose by 0.02% m-o-m, the recreation, sports and culture component rose by 0.13% m-o-m, and the health component rose by 0.13% m-o-m. Meanwhile, the deflation was mainly posted by the personal care and other services component fell by 0.08% m-o-m, the Household Equipment, Equipment and Routine Maintenance component fell by 0.03% m-o-m, the Housing, Water, Electricity, and Other Fuel component fell by 0.04% m-o-m, and the information, communication, and financial service – component fell by 0.06% m-o-m.

Inflation in the food, beverage and tobacco component in June 2020 mainly stemmed from higher prices of chicken meat, eggs, and coconut. Inflation in the transportation component in June 2020 still came primarily from higher prices of air freight rates, ride bike fares, and inter city transportation tariff. Furthermore, inflation in the clothing and footwear component in June 2020 still mainly came from higher prices of footwear sub-sector. Inflation in the Food and Beverage Provision/Restaurant component in June 2020 mainly stemmed from higher prices of rice with meal.

Moreover, inflation in the recreation, sports and culture component in June 2020 mainly came from higher prices of newspaper, books, and school supplies sub-sector. Inflation in the health component in June 2020 still came primarily from higher prices of medicines and health products sub-sector.

Meanwhile, deflation in the Housing, Water, Electricity, and Other Fuel component in June 2020 mainly came from lower prices of electricity and household fuel sub-sector. Deflation in the information, communication, and financial service component in June 2020 mainly stemmed from lower prices of Information and communication equipment sub sector. Deflation in the personal care and other services component in June 2020 still mainly stemmed from lower prices of other personal care sub sector. Furthermore, deflation in the Household Equipment, Equipment and Routine Maintenance component in June 2020 mainly came from lower prices of Furniture, fixtures and carpets sub sector.

On a yearly basis, inflation remains in check with the downward trend still intact, as the inflation eased to 1.96% y-o-y in June 2020 compare 2.19% y-o-y in the previous month. Furthermore, year to date inflation in January-June 2020 reached 1.09% lower than 2.05% for the same time frame in 2019.

CPI Outlook

Although the Government has implemented a new normal policy since 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. We expect monthly inflationary pressures remain low in July 2020. Price increases occur in the foods, beverage, and tobacco components such as red pepper, chili, eggs, tomato, and rice. Furthermore, this month's inflationary pressures were also caused by increases in gold and jewelry price, cigarette, and filter cigarette. Meanwhile, deflationary pressures were caused by decrease in prices of chicken meat, onion, garlic, sugar, and coconut. However, overall inflation in this month is still in control. Based on these factors, we expect the consumer price index in July 2020 will reach 0.06% m-o-m, lower than 0.18 m-o-m in June 2020. Furthermore, we expect the yearly inflation rate in July 2020 will decrease to 1.70% y-o-y from 1.96% y-o-y in June 2020.

Meanwhile, we expect monthly core inflationary pressures still manageable in July 2020. The pressure mainly comes from the increase in price of gold & jewelry, hospital tariff and health products. We expect core inflation in July 2020 will reach 0.14% m-o-m, higher than 0.02% m-o-m in June 2020. Nevertheless, we expect the yearly core inflation in July 2020 may decrease to 2.12% y-o-y from 2.32% y-o-y in the previous month.

Changes in Consumer Price Index (Percent)

	M-on-M changes			Y-on-Y changes			YTD (Jan-Jun)
	Apr-20	May-20	Jun-20	Apr-20	May-20	Jun-20	2020
Food, Beverage and Tobacco	0.09	-0.32	0.47	5.28	3.37	3.03	2.94
Clothing and Footwear	0.04	0.09	0.02	2.26	1.95	1.27	0.60
Housing, Water, Electricity, and Other Fuel	0.09	0.04	-0.04	1.22	1.24	1.12	0.32
Household Equipment, Equipment and Routine Maintenance	0.09	0.10	-0.03	2.49	2.25	1.66	0.57
Health	0.23	0.27	0.13	4.08	4.13	4.16	1.61
Transportation	-0.42	0.87	0.41	-1.78	-1.37	-0.95	-0.83
Information, Communication, and Financial Service	-0.34	0.08	-0.06	-0.37	-0.29	-0.30	-0.38
Recreation, Sports, and Culture	0.03	0.06	0.13	1.56	1.48	1.42	0.48
Education	0.00	0.00	0.00	3.75	3.68	3.66	-0.11
Food and Beverage Provision/Restaurant	0.18	0.08	0.28	3.99	3.62	2.96	1.26
Personal Care and Other Services	1.20	0.12	-0.08	6.49	6.46	5.66	3.13
GENERAL	0.08	0.07	0.18	2.67	2.19	1.96	1.09

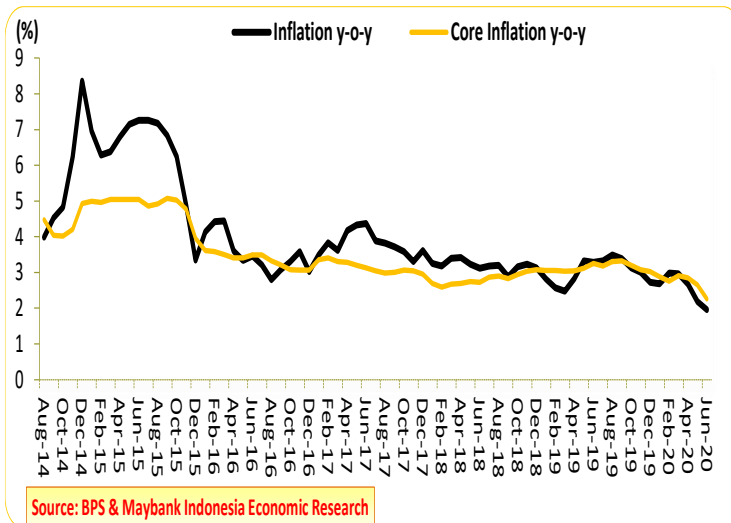
Source : BPS & Maybank Indonesia Economic Research

Main Driven of Inflation by Component

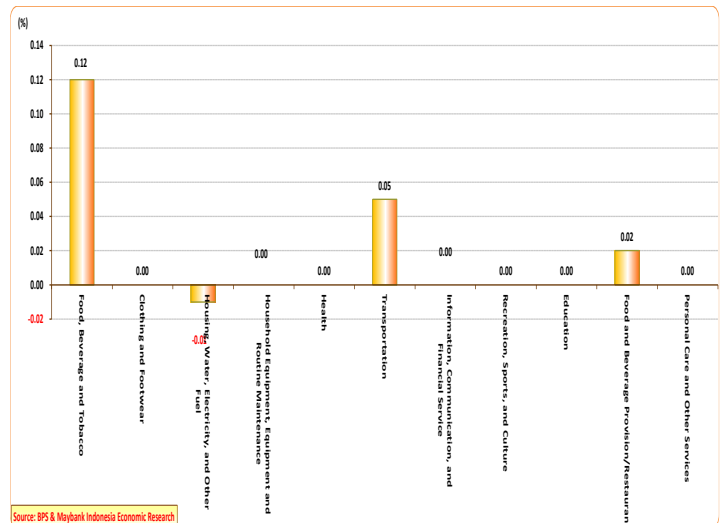
Component	Change (%)	Drivers	Contribute (%)
Food, Beverage and Tobacco	0.47	Chicken meat, eggs, and coconut	0.12
Clothing and Footwear	0.02	Footwear sub-sector	0.00
Housing, Water, Electricity, and Other Fuel	-0.04	Electricity and household fuel sub-sector	-0.01
Household Equipment, Equipment and Routine Maintenance	-0.03	Furniture, fixtures and carpets sub sector	0.00
Health	0.13	Medicines and health products sub-sector	0.00
Transportation	0.41	Air freight rates, ride bike fares, and inter city transportation tariff	0.05
Information, Communication, and Financial Service	-0.06	Information and communication equipment sub sector	0.00
Recreation, Sports, and Culture	0.13	Newspaper, books, and school supplies sub-sector	0.00
Education	0.00	Other education sub-sector	0.00
Food and Beverage Provision/Restaurant	0.28	Rice with meal	0.02
Personal Care and Other Services	-0.08	Other personal care sub sector	0.00
		Total	0.18

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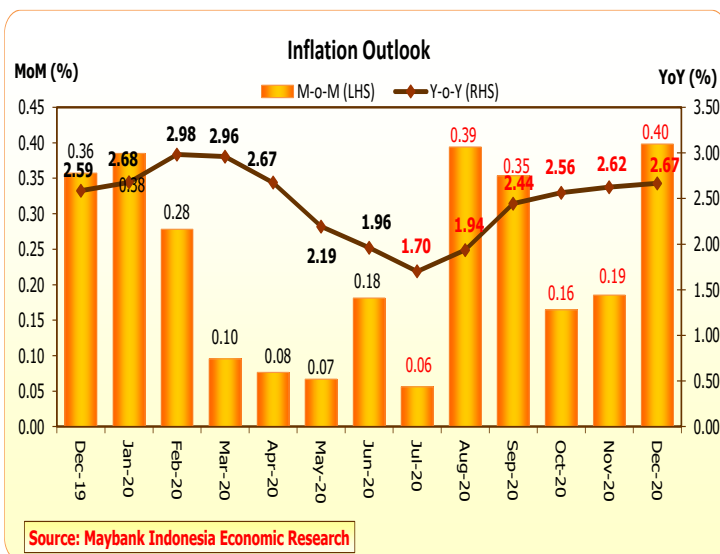
Year on year Inflation



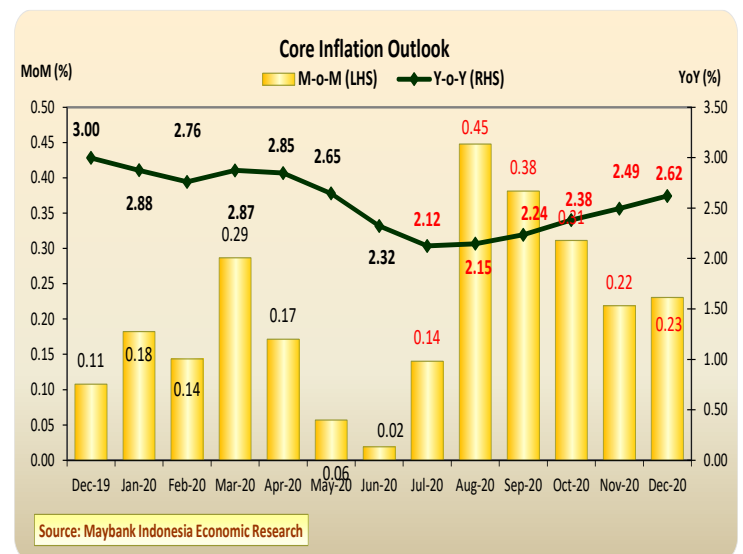
Share of the Component Inflation



Inflation Outlook 2020



Core Inflation Outlook 2020



Macro Economic Indicators

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

Note : the red numbers are forecast

Source : Maybank Indonesia Economic Research

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