

Monthly Inflation: “More Benign”

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CPI Review

Consumer Price Index (CPI) in March 2018 increased due to the rising prices of foodstuffs, cigarette, gasoline, and gold jewelry. Monthly inflation in March reached 0.20% m-o-m, slightly higher from 0.17% m-o-m in the preceding month. Based component, the inflation was posted by the foodstuffs component increased by 0.14 m-o-m, the prepared food component rose by 0.26% m-o-m, and the clothing component rose by 0.36% m-o-m. Furthermore, the housing component experienced rose by 0.06% compared to preceding month, the medical care component increased by 0.37% m-o-m, and the education component increased by 0.07% m-o-m. Moreover, the inflation was also posted by the transportation, communication, and financial services component experienced rose by 0.28% m-o-m.

Inflation in the foodstuffs component in March 2018 mainly stemmed from higher prices of Red pepper, onion, garlic, chili, beef, salt fish, spinach, kale, and mustard greens. We believe the price increase in these products were mainly due to

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

Furthermore, inflation in the prepared foods component in March 2018 mainly stemmed from higher prices of cigarette, white cigarette, and filter cigarette. Inflation in the clothing component in March 2018 still came primarily from higher prices of gold and jewelry.

Meantime, inflation in the housing component in March 2018 came primarily from higher prices of wage of workers not foreman. Inflation in the education, recreation and sports component in March 2018 mainly stemmed from higher prices of recreation sub-sector.

Meanwhile, inflation in the medical care component in March 2018 still came primarily from higher price of body care services sub-sector. Inflation in the transportation, communication, and financial services component in March 2018 came primarily from higher prices of gasoline.

On a yearly basis, inflation remains in check with the upward trend still intact, as the inflation increased to 3.40% y-o-y in March 2018 compare 3.18% y-o-y in the previous month. However, year to date inflation in January-March 2018 reached 0.99% lower than 1.19% for the same time frame in 2017.

CPI Outlook

We expect inflationary pressures to be more benign in April 2018. This is due to the impact of the harvest which causes the price of some foodstuffs to decline such as rice, cayenne pepper, red chili, soybeans, and vegetables. Nevertheless, there are still some food items whose prices are still rising, such as chicken, egg, onion, and salted fish. Meanwhile, the increase in non-subsidized fuel prices in last month still adds to inflationary pressure this month. Furthermore, the impact of the weakening of Rupiah also raised imported inflation. Meantime, the price of gold jewelry is relatively stable this month. Based on these factors, we expect the consumer price index in April 2018 will reach 0.10% m-o-m, lower than 0.20% m-o-m in March 2018. Nevertheless, we expect the yearly inflation rate in April 2018 will slightly increase to 3.42% y-o-y from 3.40% y-o-y in March 2018. Looking ahead, we also expect inflation may reach 3.50% y-o-y by the end of 2018.

Meanwhile, we also expect core inflationary pressures also remain manageable in April 2018. The pressure still comes from the increase in price of cigarette, car prices, housing rent, housing contract, servant wages, and the weakening of Rupiah. We expect core inflation in April 2018 may reach 0.17% m-o-m, lower than 0.19% m-o-m in March 2018. However, we expect the yearly core inflation in April 2018 may increase to 2.71% y-o-y from 2.67% y-o-y in the previous month. Forward looking, we also expect core inflation may reach 3.00% by the end of 2018.

Changes in Consumer Price Index (Percent)

	M-on-M changes			Y-on-Y changes			YTD (Jan-Mar)		
	Jan-18	Feb-18	Mar-18	Jan-18	Feb-18	Mar-18	2016	2017	2018
FOODSTUFF	2.34	0.13	0.14	2.95	3.40	4.24	2.30	-0.31	2.62
PREPARED FOOD	0.43	0.43	0.26	4.07	4.11	4.06	1.50	1.16	1.12
HOUSING	0.23	0.22	0.06	4.24	3.70	3.45	0.01	2.15	0.52
CLOTHING	0.50	0.35	0.36	4.10	3.92	4.11	1.46	1.03	1.21
MEDICAL CARE	0.28	0.26	0.37	2.76	2.75	2.91	0.92	0.98	0.90
EDUCATION	0.16	0.07	0.07	3.37	3.35	3.33	0.24	0.29	0.29
TRANSPORTATION	-0.28	0.02	0.28	1.55	1.41	1.83	-1.48	2.37	0.02
GENERAL	0.62	0.17	0.20	3.25	3.18	3.40	0.62	1.19	0.99
Food and Non-Food									
FOOD	1.47	0.27	0.20	3.45	3.72	4.16	1.94	0.35	1.94
NON-FOOD	0.10	0.15	0.18	3.19	2.91	2.97	0.06	0.09	0.11

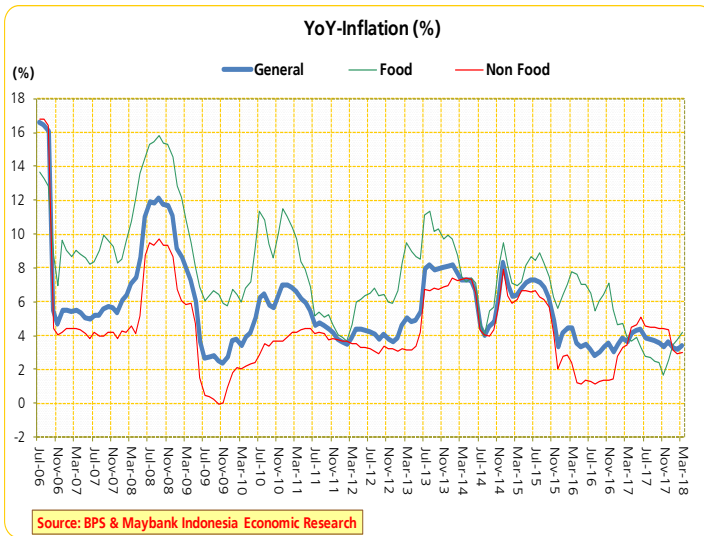
Source : BPS & Maybank Indonesia Economic Research

Main Driven of Inflation by Component

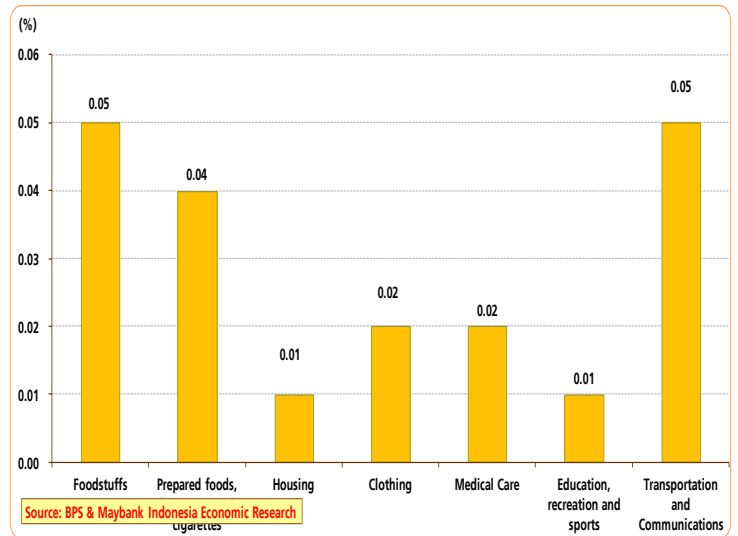
Component	Change (%)	Drivers	Contribute (%)
Foodstuffs	0.14	Red pepper, onion, garlic, chili, beef, salt fish, spinach, kale, and mustard greens	0.05
Prepared foods, beverages and cigarettes	0.26	Cigarette, white cigarette, and filter cigarette	0.04
Housing	0.06	Wage of workers not foreman	0.01
Clothing	0.36	Gold jewelry	0.02
Medical Care	0.37	Body care services sub-sector	0.02
Education, recreation and sports	0.07	Recreation sub-sector	0.01
Transportation and Communications	0.28	Gasoline	0.05
Total			0.20

Source : BPS & Maybank Indonesia Economic Research

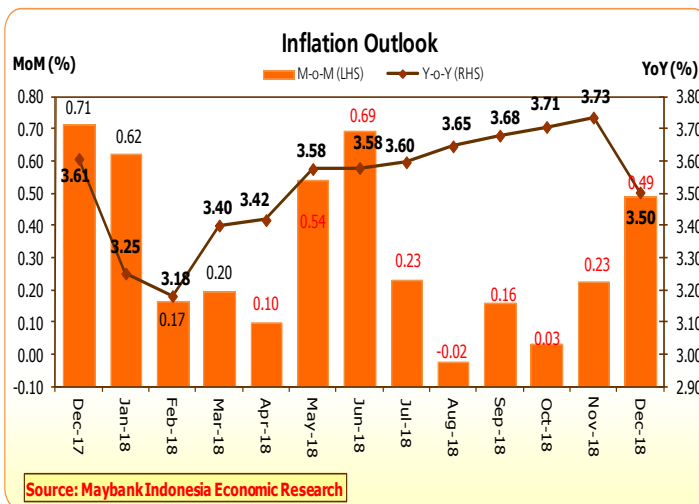
Year on year Inflation



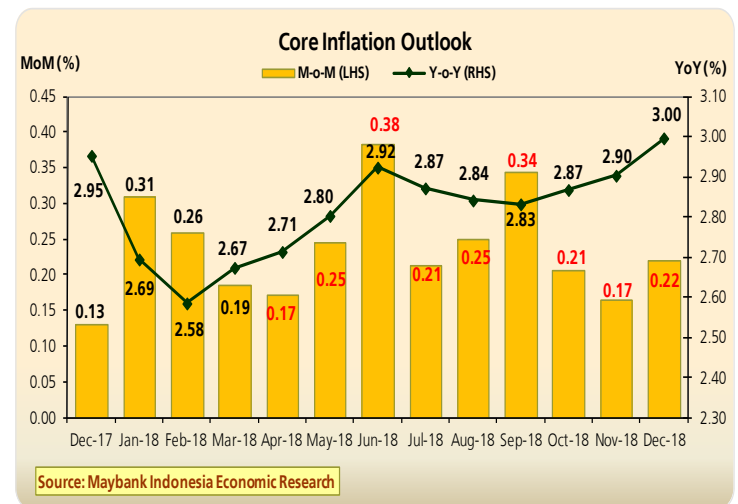
Share of the Component Inflation



Inflation Outlook 2018



Core Inflation Outlook 2018



Macro Economic Indicators

INDICATORS	2014	2015	2016	2017	2018F
Inflation (%YoY)	8.36	3.35	3.02	3.61	3.50
Inflation (% avg)	6.42	6.38	3.53	3.81	3.52
Core Inflation (%YoY)	4.93	3.95	3.07	2.95	3.00
Core Inflation (% avg)	4.53	4.89	3.35	3.15	2.82
Exchange Rate Eop (Rp/US\$)	12440	13795	13436	13548	13700
Exchange Rate Avg (Rp/US\$)	11885	13458	13330	13397	13640
Curent Account (% GDP)	-3.09	-2.03	-1.82	-1.70	-2.20
Fiscal Balance (% GDP)	-2.20	-2.80	-2.46	-2.42	-2.50
Interest Rate					
BI 7-Day (Reverse) Repo Rate (% p.a)	5.86	6.25	4.75	4.25	4.50
Time Deposit 3 month (% p.a)	8.95	7.99	6.69	6.11	6.38
Lending rate working capital (% p.a)	12.81	12.46	11.36	10.68	10.92
Credit					
Growth (% YoY)					
Property Credit	17.29	11.86	14.98	13.05	14.80
Consumer credit	11.51	9.09	8.76	11.04	11.44
Working Capital Credit	10.83	9.04	6.93	8.48	9.94
Investment Credit	13.16	14.69	8.65	4.82	9.08
Total Credit	11.58	10.44	7.87	8.24	10.15
Deposit	12.29	7.26	9.60	9.35	10.43
NPL Commercial Banks (%)	2.16	2.49	2.93	2.59	2.48
Car Sales (1000 Units)	1208	1013	1062	1080	1119
Car Sales Growth (%)	-1.78	-16.12	4.79	1.69	3.59
Motorcycle Sales (1000 Units)	7867	6480	5931	5886	5912
Motorcycle Sales Growth (%)	1.59	-17.63	-8.47	-0.76	0.44
Unemployment Rate (%)	5.94	6.18	5.61	5.50	5.30
International Reserve (US\$ bn)	111.9	105.9	116.4	130.2	134.2
GDP Growth (%)	5.01	4.88	5.03	5.07	5.30

Note : the red numbers are forecast

Source : Maybank Indonesia Economic Research

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