

## Monthly CPI Outlook: “Remain Low”

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### CPI Review

Consumer Price Index (CPI) in July 2020 reached -0.10% m-o-m (deflation) lower than 0.18% m-o-m in the preceding month. Based component, the deflation was mainly posted by the Food & Beverage Provision/Restaurant component fell by 0.73% m-o-m, the Housing, Water, Electricity, and Other Fuel component fell by 0.04% m-o-m, and the transportation component fell by 0.17% m-o-m. Meanwhile, inflation was mainly posted by the personal care and other services component rose by 0.93% m-o-m, the Household Equipment, Equipment and Routine Maintenance component rose by 0.10% m-o-m, and the information, communication, and financial service component rose by 0.02% m-o-m. Furthermore, the clothing and footwear component experienced rose by 0.09% m-o-m, the recreation, sports and culture component rose by 0.15% m-o-m, the education component rose by 0.16% m-o-m, and the health component rose by 0.29% m-o-m.

Deflation in the food, beverage and tobacco component in July 2020 mainly stemmed from lower prices of onion, chicken meat, garlic, rice, oranges, chili, coconut, and sugar. Deflation in the transportation component in July 2020 came primarily from lower prices of air freight rates. Furthermore, deflation in the Housing, Water, Electricity, and Other Fuel component in July 2020 mainly came from lower prices of electricity and household fuel sub-sector.

Meanwhile, inflation in the personal care and other services component in July 2020 mainly stemmed from higher prices of gold and jewelry. Inflation in the clothing and footwear component in July 2020 mainly came from higher prices of clothing sub-sector. Inflation in the Food and Beverage Provision/Restaurant component in July 2020 mainly stemmed from higher prices of food and beverage service sub sector.

Furthermore, inflation in the recreation, sports and culture component in July 2020 came from higher prices of other recreational and sports goods sub sector. Inflation in the health component in July 2020 still came primarily from higher prices of medicines and health products sub-sector. Moreover, inflation in the information, communication, and financial service component in July 2020 mainly stemmed from higher prices of information and communication equipment sub sector. Inflation in the Household Equipment, Equipment and Routine Maintenance component in July 2020 mainly came from higher prices of housing and garden equipment sub sector.

On a yearly basis, inflation remains in check with the downward trend still intact, as the inflation eased to 1.54% y-o-y in July 2020 compare 1.96% y-o-y in the previous month. Furthermore, year to date inflation in January-July 2020 reached 0.98% lower than 2.36% for the same time frame in 2019.

### CPI Outlook

We expect monthly inflationary pressures remain low in August 2020. 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. Price increases occur in the foods, beverage, and tobacco components such as red pepper, chili, eggs, fish, and cooking oil. Furthermore, this month's inflationary pressures were also caused by increases in gold and jewelry price, cigarette, and tuition fee. Meanwhile, deflationary pressures were caused by decrease in prices of eggs, chicken meat, and onion. Based on these factors, we expect the consumer price index in August 2020 will reach 0.03% m-o-m, higher than -0.10 m-o-m in July 2020. Nevertheless, we expect the yearly inflation rate in August 2020 will decrease to 1.40% y-o-y from 1.54% y-o-y in July 2020.

Meanwhile, we expect monthly core inflationary pressures still manageable in August 2020. The pressure mainly comes from the increase in price of gold & jewelry, cigarette, and tuition fees. We expect core inflation in August 2020 will reach 0.29% m-o-m, higher than 0.16% m-o-m in July 2020. However, we expect the yearly core inflation in August 2020 may decrease to 2.00% y-o-y from 2.07% y-o-y in the previous month.

## Changes in Consumer Price Index (Percent)

	M-on-M changes			Y-on-Y changes			YTD (Jan-Jul) 2020
	May-20	Jun-20	Jul-20	May-20	Jun-20	Jul-20	
Food, Beverage and Tobacco	-0.32	0.47	-0.73	3.37	3.03	1.73	2.19
Clothing and Footwear	0.09	0.02	0.09	1.95	1.27	1.13	0.69
Housing, Water, Electricity, and Other Fuel	0.04	-0.04	-0.01	1.24	1.12	0.93	0.31
Household Equipment, Equipment and Routine Maintenance	0.10	-0.03	0.10	2.25	1.66	1.52	0.68
Health	0.27	0.13	0.29	4.13	4.16	4.20	1.91
Transportation	0.87	0.41	-0.17	-1.37	-0.95	-0.71	-1.00
Information, Communication, and Financial Service	0.08	-0.06	0.02	-0.29	-0.30	-0.31	-0.36
Recreation, Sports, and Culture	0.06	0.13	0.15	1.48	1.42	1.26	0.63
Education	0.00	0.00	0.16	3.68	3.66	2.66	0.05
Food and Beverage Provision/Restaurant	0.08	0.28	0.15	3.62	2.96	2.57	1.42
Personal Care and Other Services	0.12	-0.08	0.93	6.46	5.66	6.05	4.10
<b>GENERAL</b>	<b>0.07</b>	<b>0.18</b>	<b>-0.10</b>	<b>2.19</b>	<b>1.96</b>	<b>1.54</b>	<b>0.98</b>

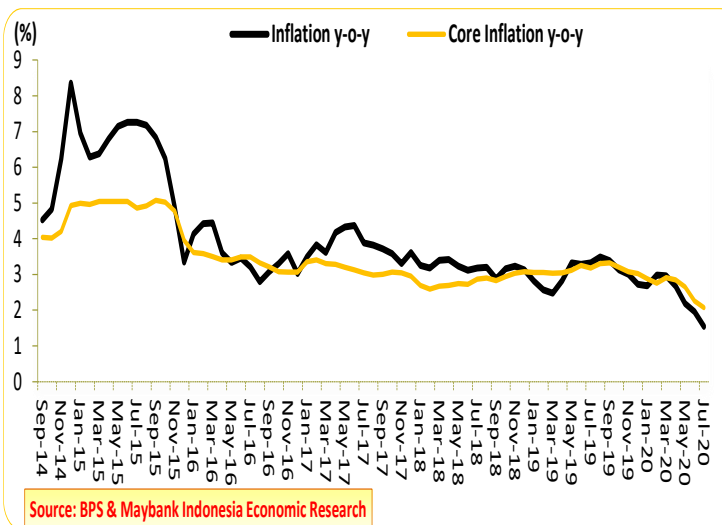
Source : BPS & Maybank Indonesia Economic Research

## Main Driven of Inflation by Component

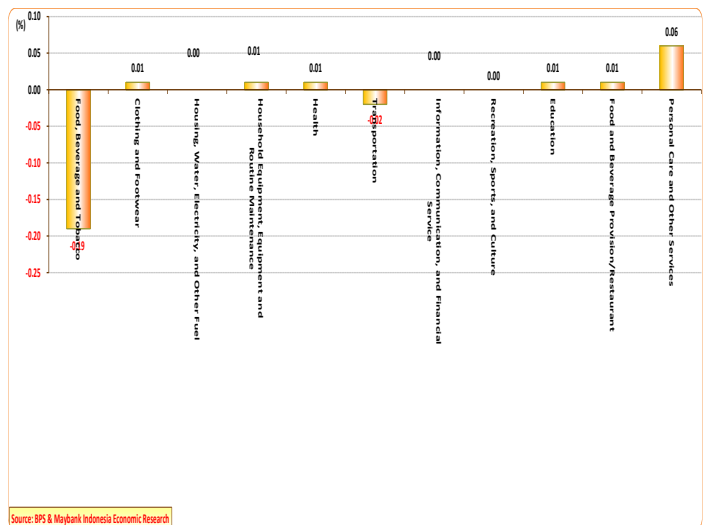
Component	Change (%)	Drivers	Contribute (%)
Food, Beverage and Tobacco	-0.73	Onion, chicken meat, garlic, rice, oranges, chili, coconut, and sugar	-0.19
Clothing and Footwear	0.09	Clothing sub-sector	0.01
Housing, Water, Electricity, and Other Fuel	-0.01	Electricity and household fuel sub-sector	0.00
Household Equipment, Equipment and Routine Maintenance	0.10	Housing and garden equipment sub sector	0.01
Health	0.29	Medicines and health products sub-sector	0.01
Transportation	-0.17	Air freight rates	-0.02
Information, Communication, and Financial Service	0.02	Information and communication equipment sub sector	0.00
Recreation, Sports, and Culture	0.15	Other recreational and sports goods sub sector	0.00
Education	0.16	Tuition fees (elementary school)	0.01
Food and Beverage Provision/Restaurant	0.25	Food and beverage service sub sector	0.01
Personal Care and Other Services	0.93	Gold and jewelry	0.06
<b>Total</b>			<b>-0.10</b>

Source : BPS & Maybank Indonesia Economic Research

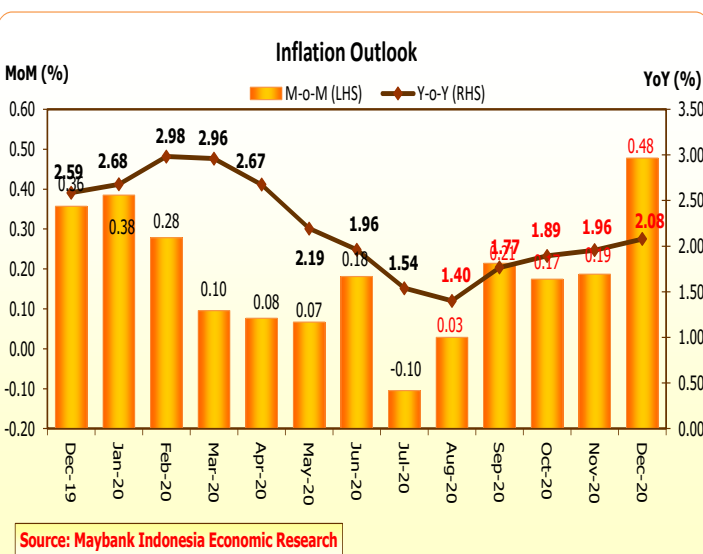
## Year on year Inflation



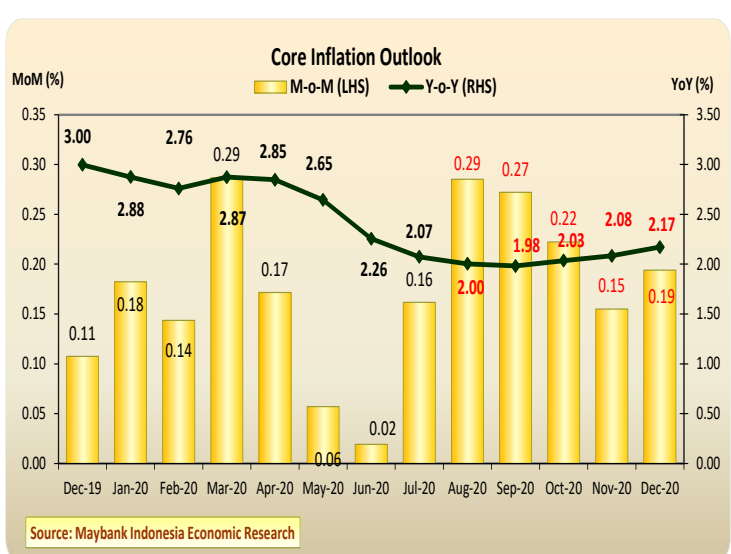
## Share of the Component Inflation



## 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	2.08
<b>Inflation (% avg)</b>	3.81	3.20	2.82	2.18
<b>Core Inflation (%YoY)</b>	2.95	3.07	3.00	2.17
<b>Core Inflation (% avg)</b>	3.15	2.81	3.14	2.40
<b>Exchange Rate Eop (Rp/US\$)</b>	13548	14481	13901	14186
<b>Exchange Rate Avg (Rp/US\$)</b>	13397	14267	14313	14568
<b>Curent Account (% GDP)</b>	-1.60	-2.94	-2.72	-1.37
<b>Fiscal Balance (% GDP)</b>	-2.51	-1.82	-2.18	-6.25
<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	2.39
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	4.49
<b>NPL Commercial Banks (%)</b>	2.59	2.37	2.53	3.10
<b>Car Sales (1000 Units)</b>	1080	1151	1029	580
<b>Car Sales Growth (%)</b>	1.70	6.62	-10.63	-43.73
<b>Motorcycle Sales (1000 Units)</b>	5886	6383	6487	3860
<b>Motorcycle Sales Growth (%)</b>	-0.76	8.44	1.63	-40.50
<b>Unemployment Rate (%)</b>	5.50	5.34	5.28	8.52
<b>International Reserve (US\$ bn)</b>	130.2	120.7	129.2	132.2
<b>GDP Growth (%)</b>	5.07	5.17	5.02	-0.50

Note : the red numbers are forecast

Source : Maybank Indonesia Economic Research

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