

## Monthly CPI Outlook: “Weak Demand”

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### CPI Review

Consumer Price Index (CPI) in April 2020 remained manageable. Monthly inflation in April reached 0.08% m-o-m lower than 0.10% m-o-m in the preceding month. Based component, inflation was mainly posted by the foods, beverage, and tobacco component increased by 0.08% m-o-m, the personal care and other services component rose by 1.20% m-o-m and the clothing and footwear component experienced rose by 0.04% m-o-m. Furthermore, the Food and Beverage Provision/Restaurant component rose by 0.18% m-o-m, the Household Equipment, Equipment and Routine Maintenance component rose by 0.09% m-o-m, and the health component rose by 0.23% m-o-m. Meanwhile, the deflation was mainly posted by the transportation component fell by 0.42% m-o-m and the information, communication, and financial service component fell by 0.34% m-o-m.

Inflation in the food, beverage and tobacco component in April 2020 mainly stemmed from higher prices of onion, sugar, beef, papaya, cooking oil, cigarette, white cigarette, and filter cigarette. Inflation in the personal care and other services component in April 2020 still mainly stemmed from higher prices of gold and jewelry.

Furthermore, inflation in the clothing and footwear component in April 2020 mainly came from higher prices of clothing sub-sector. Inflation in the Food and Beverage Provision/Restaurant component in April 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 April 2020 mainly came from higher prices of goods and services for routine household maintenance sub sector. Inflation in the health component in April 2020 still came primarily from higher prices of medicines and health products sub-sector

Meanwhile, deflation in the transportation component in April 2020 still came primarily from lower prices of air freight rates. Deflation in the information, communication, and financial service component in April 2020 mainly stemmed from lower prices of cell phone charges.

On a yearly basis, inflation remains in check with the downward trend still intact, as the inflation eased to 2.67% y-o-y in April 2020 compare 2.96% y-o-y in the previous month. Nevertheless, year to date inflation in January-April 2020 reached 0.84% slightly higher than 0.80% for the same time frame in 2019.

### CPI Outlook

In line with the large-scale social restrictions in Indonesia to break the spread of Covid-19, it makes the demand for goods and services weak. The impact is the prices of goods and services tend to go down despite the Lebaran celebration. Price decreases occur in the foods, beverage, and tobacco components such as eggs, garlic, sugar, red pepper, chili, kale, spinach, and cooking oil. Furthermore, this month's deflationary pressures were also caused by decreases in gold and jewelry price and cell phone charges. Meanwhile, inflationary pressures were caused by increase in prices of chicken meat, air freight rates, fish, and mineral water. However, overall inflation in this month is still in control. Based on these factors, we expect the consumer price index in May 2020 will reach -0,05% m-o-m, lower than 0.08 m-o-m in April 2020. Furthermore, we expect the yearly inflation rate in May 2020 will decrease to 2.07% y-o-y from 2.67% y-o-y in April 2020.

Meanwhile, we expect monthly core inflationary pressures still manageable in May 2020. The pressure mainly comes from the increase in price of air freight rates. We expect core inflation in May 2020 will reach 0.18% m-o-m, relatively stable than 0.17% m-o-m in April 2020. Furthermore, we expect the yearly core inflation in May 2020 may slightly decrease to 2.81% y-o-y from 2.85% y-o-y in the previous month.

## Changes in Consumer Price Index (Percent)

|  | M-on-M changes |             |             | Y-on-Y changes |             |             | YTD (Jan-Apr) |
|--|----------------|-------------|-------------|----------------|-------------|-------------|---------------|
|  | Feb-20         | Mar-20      | Apr-20      | Feb-20         | Mar-20      | Apr-20      |               |
| Food, Beverage and Tobacco                             | 0.95           | 0.10        | 0.09        | 6.02           | 6.15        | 5.28        | 2.78          |
| Clothing and Footwear                                  | 0.21           | 0.12        | 0.04        | 2.45           | 2.44        | 2.26        | 0.50          |
| Housing, Water, Electricity, and Other Fuel            | 0.09           | 0.02        | 0.09        | 1.38           | 1.32        | 1.22        | 0.32          |
| Household Equipment, Equipment and Routine Maintenance | 0.06           | 0.28        | 0.09        | 2.71           | 2.62        | 2.49        | 0.51          |
| Health   | 0.34           | 0.21        | 0.23        | 3.99           | 4.04        | 4.08        | 1.20          |
| Transportation   | -0.37          | -0.43       | -0.42       | -0.31          | -1.09       | -1.78       | -2.09         |
| Information, Communication, and Financial Service      | -0.01          | -0.09       | -0.34       | -0.06          | -0.12       | -0.37       | -0.40         |
| Recreation, Sports, and Culture                        | 0.07           | 0.02        | 0.03        | 1.73           | 1.61        | 1.56        | 0.29          |
| Education  | 0.02           | 0.00        | 0.00        | 3.77           | 3.77        | 3.75        | -0.11         |
| Food and Beverage Provision/Restaurant                 | 0.17           | 0.36        | 0.18        | 3.79           | 4.01        | 3.99        | 0.90          |
| Personal Care and Other Services                       | 0.41           | 0.99        | 1.20        | 4.64           | 5.40        | 6.49        | 3.10          |
| <b>GENERAL</b>   | <b>0.28</b>    | <b>0.10</b> | <b>0.10</b> | <b>2.98</b>    | <b>2.96</b> | <b>2.67</b> | <b>0.84</b>   |

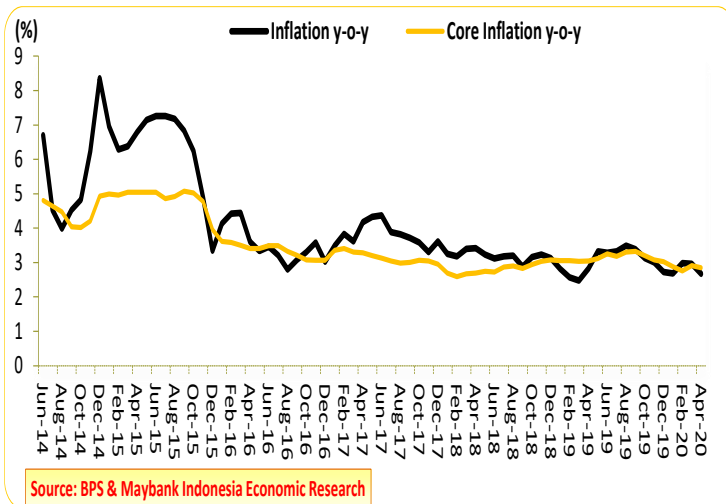
Source : BPS & Maybank Indonesia Economic Research

## Main Driven of Inflation by Component

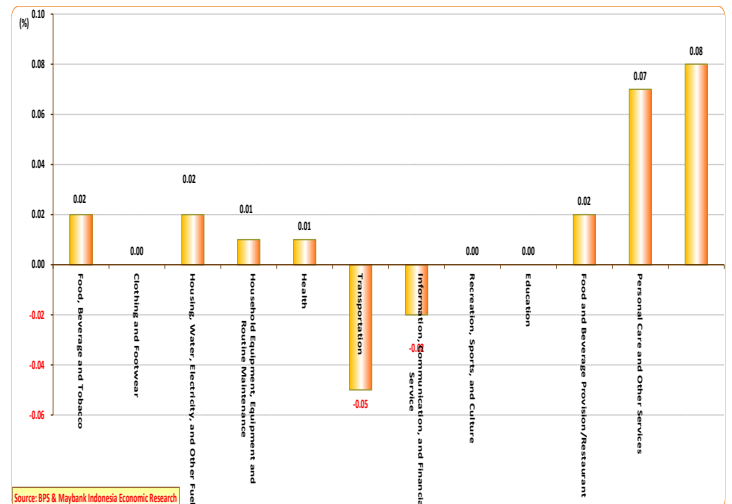
| Component  | Change (%) | Drivers   | Contribute (%) |
|--|------------|---|----------------|
| Food, Beverage and Tobacco                             | 0.09       | Orion, sugar, beef, papaya, cooking oil, cigarette, white cigarette, and filler cigarette | 0.02           |
| Clothing and Footwear                                  | 0.04       | Clothing sub-sector   | 0.00           |
| Housing, Water, Electricity, and Other Fuel            | 0.09       | Household fuel  | 0.02           |
| Household Equipment, Equipment and Routine Maintenance | 0.09       | Goods and services for routine household maintenance sub sector                           | 0.01           |
| Health   | 0.23       | Medicines and health products sub-sector  | 0.01           |
| Transportation   | -0.42      | Air freight rates   | -0.05          |
| Information, Communication, and Financial Service      | -0.34      | Cell phone charges  | -0.02          |
| Recreation, Sports, and Culture                        | 0.03       | Newspaper, books, and school supplies sub-sector  | 0.00           |
| Education  | 0.00       | Other education sub-sector  | 0.00           |
| Food and Beverage Provision/Restaurant                 | 0.18       | Food and beverage services sub sector   | 0.02           |
| Personal Care and Other Services                       | 1.20       | Gold and jewelry  | 0.07           |
| <b>Total</b>   |            |   | <b>0.08</b>    |

Source : BPS & Maybank Indonesia Economic Research

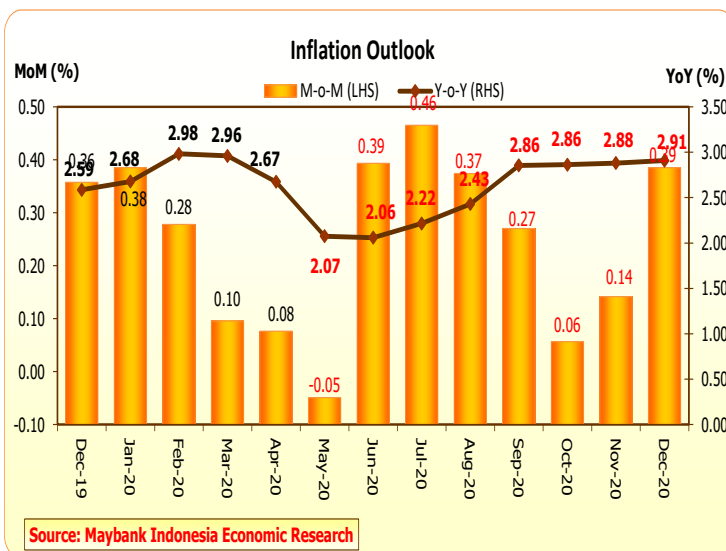
## Year on year Inflation



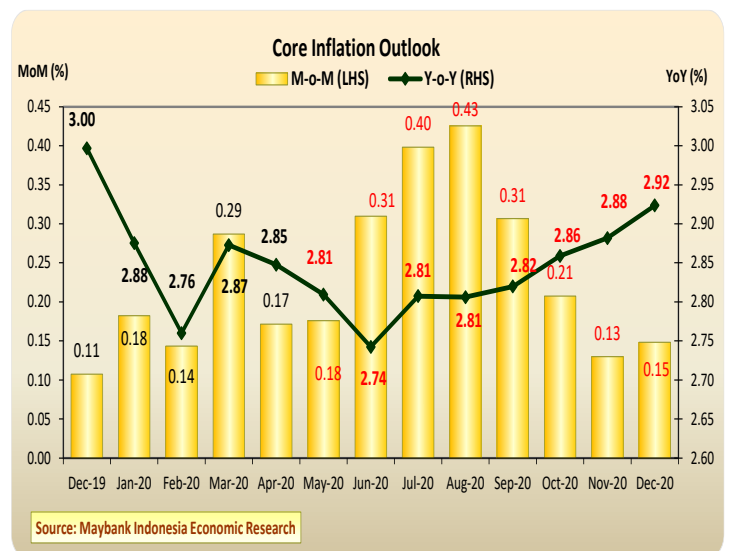
## Share of the Component Inflation



## Inflation Outlook 2020



## Core Inflation Outlook 2020



## Macro Economic Indicators

| INDICATORS                             | 2015   | 2016  | 2017  | 2018  | 2019   | 2020F  |
|--|--------|-------|-------|-------|--------|--------|
| <b>Inflation (%YoY)</b>                | 3.35   | 3.02  | 3.61  | 3.13  | 2.59   | 2.91   |
| <b>Inflation (% avg)</b>               | 6.38   | 3.53  | 3.81  | 3.20  | 3.03   | 2.64   |
| <b>Core Inflation (%YoY)</b>           | 3.95   | 3.07  | 2.95  | 3.07  | 3.00   | 2.92   |
| <b>Core Inflation (% avg)</b>          | 4.89   | 3.35  | 3.15  | 2.81  | 3.14   | 2.85   |
| <b>Exchange Rate Eop (Rp/US\$)</b>     | 13795  | 13436 | 13548 | 14481 | 13901  | 14186  |
| <b>Exchange Rate Avg (Rp/US\$)</b>     | 13458  | 13330 | 13397 | 14267 | 14313  | 14716  |
| <b>Curent Account (% GDP)</b>          | -2.03  | -1.82 | -1.60 | -2.94 | -2.72  | -2.40  |
| <b>Fiscal Balance (% GDP)</b>          | -2.59  | -2.49 | -2.51 | -1.82 | -1.93  | -5.07  |
| <b>Interest Rate</b>                   |        |       |       |       |        |        |
| BI 7-Day (Reverse) Repo Rate (% p.a)   | 6.25   | 4.75  | 4.25  | 6.00  | 5.00   | 4.25   |
| Time Deposit 3 month (% p.a)           | 7.99   | 6.69  | 6.11  | 6.84  | 6.30   | 5.60   |
| Lending rate working capital (% p.a)   | 12.46  | 11.36 | 10.68 | 10.34 | 10.03  | 9.61   |
| <b>Credit</b>                          |        |       |       |       |        |        |
| <b>Growth (% YoY)</b>                  |        |       |       |       |        |        |
| Property Credit                        | 11.86  | 14.98 | 13.05 | 16.33 | 9.73   | 2.60   |
| Consumer credit                        | 9.09   | 8.76  | 11.04 | 10.35 | 5.81   | 2.19   |
| Working Capital Credit                 | 9.04   | 6.93  | 8.48  | 13.03 | 2.55   | 0.29   |
| Investment Credit                      | 14.69  | 8.65  | 4.82  | 10.94 | 13.18  | 2.74   |
| <b>Total Credit</b>                    | 10.44  | 7.87  | 8.24  | 11.75 | 6.08   | 1.46   |
| <b>Deposit</b>                         | 7.26   | 9.60  | 9.36  | 6.45  | 6.54   | 3.07   |
| <b>NPL Commercial Banks (%)</b>        | 2.49   | 2.93  | 2.59  | 2.37  | 2.53   | 3.10   |
| <b>Car Sales (1000 Units)</b>          | 1013   | 1062  | 1080  | 1151  | 1027   | 764    |
| <b>Car Sales Growth (%)</b>            | -16.12 | 4.79  | 1.70  | 6.62  | -10.81 | -25.59 |
| <b>Motorcycle Sales (1000 Units)</b>   | 6480   | 5931  | 5886  | 6383  | 6487   | 5121   |
| <b>Motorcycle Sales Growth (%)</b>     | -17.63 | -8.47 | -0.76 | 8.44  | 1.63   | -21.07 |
| <b>Unemployment Rate (%)</b>           | 6.18   | 5.61  | 5.50  | 5.34  | 5.28   | 7.56   |
| <b>International Reserve (US\$ bn)</b> | 105.9  | 116.4 | 130.2 | 120.7 | 129.2  | 123.7  |
| <b>GDP Growth (%)</b>                  | 4.88   | 5.03  | 5.07  | 5.17  | 5.02   | 1.11   |

Note : the red numbers are forecast

Source : Maybank Indonesia Economic Research

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