

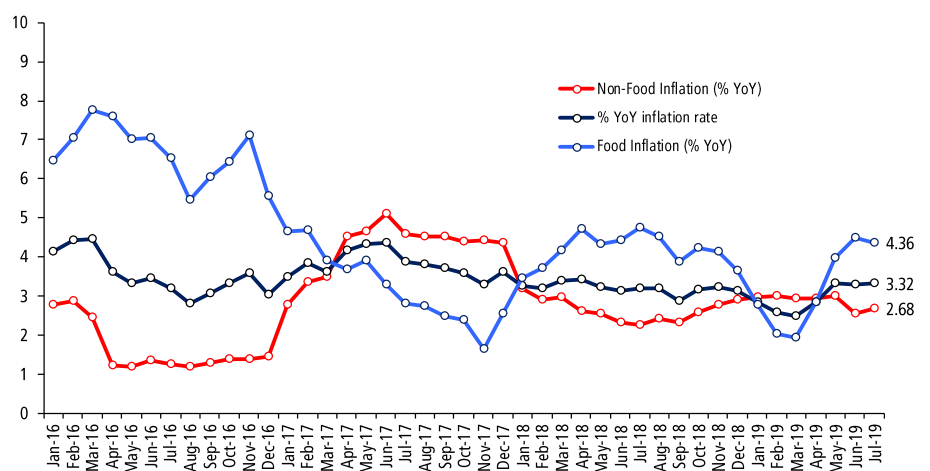
July 2019 Inflation Update: Softening Further

Forecast for 2019

Inflation (%)	3.00 – 3.35
7D Reverse Repo (%)	5.50 – 5.75

- July's inflation rate reached 0.31% mom or down from 0.55% mom in the previous month. Nonetheless, the inflation rate surpassed our estimate and the median consensus of 0.26% mom. Prices rose more than they did in either July 2017 or July 2018. After the Lebaran month in 2017 and 2018, headline inflation reached 0.22% mom and 0.28% mom, respectively. On an annual basis, consumer prices accelerated to 3.32% in July 2019 from 3.28% in June 2019. Prices in the non-foods component rose 0.15% mom but rose at a slower rate in the foods component (+0.55% mom).
- Price changes were mixed in July 2019. Following Lebaran and the fasting month, most CPI components still rose but at a slower pace. Compared to June, the milder inflationary pressure owed to easing foodstuff prices (+0.80% mom) and further deflation of transportation prices (-0.36%). The prices of several foodstuff commodities such as onions, garlic, cooking oil and sugar declined. However, the prices of rice and chilis still increased. The fall in the prices of airfares helped bring about lower transportation costs.
- Other CPI components also rose at a slower rate including the prepared foods component (+0.24% mom), housing component (+0.14% mom), clothing component (+0.70% mom), and medical care component (+0.18% mom). By comparison, prices in the education component accelerated due to the start of the new school year. Higher spending on tuition fees and school equipment at elementary, junior and senior high schools led to higher pressure on prices. In the near term, higher education spending (mostly on college fees) will keep pressure on prices elevated in the education component.

Graph 1. YoY Inflation Reached 3.32 Percent in July 2019



Source: BPS

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Table 1. MoM Foodstuffs Inflation

	M-on-M changes			Y-on-Y changes			YTD		
	May-19	Jun-19	Jul-19	May-19	Jun-19	Jul-19	2017	2018	2019
FOODSTUFF	2.02	1.63	0.80	4.14	4.91	4.85	0.31	4.36	5.80
PREPARED FOOD	0.56	0.59	0.24	3.79	3.98	3.77	2.65	2.54	2.40
HOUSING	0.06	0.17	0.14	2.39	2.42	2.40	4.31	1.16	1.13
CLOTHING	0.45	0.81	0.70	3.31	3.77	4.19	2.62	2.50	3.10
MEDICAL CARE	0.18	0.19	0.18	3.10	3.02	2.93	1.94	1.89	1.68
EDUCATION	0.03	0.07	0.92	3.20	3.21	3.30	1.04	1.32	1.46
TRANSPORTATION	0.54	(0.14)	(0.36)	3.58	1.91	2.21	4.12	1.23	0.30
GENERAL	0.68	0.55	0.31	3.32	3.28	3.32	2.60	2.18	2.36
Food and Non-Food									
FOOD	1.35	1.16	0.55	3.98	4.49	4.36	1.36	3.53	4.25
NON-FOOD	0.25	0.13	0.15	3.00	2.55	2.68	3.49	1.40	1.17

Source : BPS

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Table 2. Drivers of Price Changes in July 2019

Component	Change (%)	Drivers	Contribution (%)
Foodstuffs	0.80	Red chili, small chili, onions, fish, tomato, garlic	0.17
Prepared foods, beverages and cigarettes	0.24	Grill chicken	0.04
Housing	0.14	Worker wage	0.04
Clothing	0.70	Gold and jewelry	0.04
Medical care	0.18	Health and cosmetic care, medicine	0.01
Education, recreation and sports	0.92	Elementary school fee, junior high school and senior high school fee	0.07
Transportation and communications	(0.36)	Inter-city transport, airfares, train fare, motorcycles	(0.06)
		General	0.31

Source: BPS

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