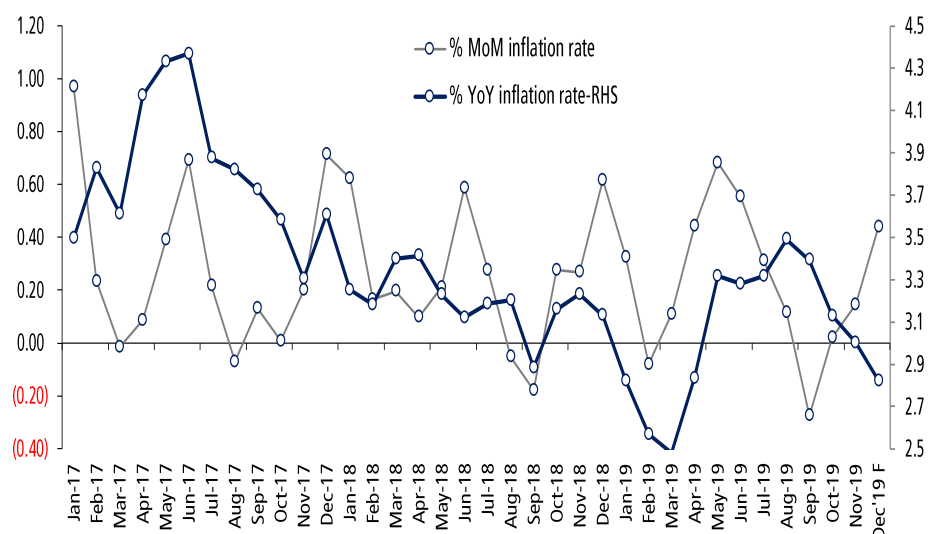


### December 2019 Inflation Outlook: Seasonally Higher

Forecast for December 2019	
<b>Inflation</b>	
MoM (%)	0.44
YoY (%)	2.82
7D Reverse Repo (%)	5.00
Forecast for 2019	
Inflation (%)	3.00 – 3.50
7D Reverse Repo (%)	4.75 – 5.00

- After the monthly inflation of 0.14% mom in November 2019, we project higher inflationary pressure in December. Surging prices in several inflation components due to seasonal events, will lift the monthly inflation rate. Nonetheless, we still expect the annual headline inflation rate to remain stable.
- Most prices at the wholesale level are picking up. In December, the wholesale prices of domestic goods rose 0.17%, after recording a 0.07% increase in the earlier month. Similarly, the WPI for manufacturing goods and imported goods rose by 0.3% and 1.0%, respectively. By contrast, the prices of mining wholesale products rose at a slower pace of 0.06% mom.
- The prices of several commodities showed monthly increases in December, driven by the beginning of the planting season and the holiday season. The prices of rice, eggs, garlic, onions, cooking oil, and sugar recorded higher monthly increases, while the prices of chicken meat, beef, and chilis declined. Higher demand for prepared foods and apparel due to Christmas and New Year typically push up the prices of these goods. In the clothing component, the prices of gold edged down 0.7% mom following a 2.1% mom decline in the previous month. Meanwhile, transportation costs typically rise over the holiday period, as some people travel back to their hometowns or go on vacation.
- Against this backdrop, we foresee inflation of 0.44 percent MoM in December 2019, leaving the YoY inflation rate stable at 2.82 percent.

**Graph 1. MoM and YoY Inflation Pressure**



Source: BPS, Danareksa Research Institute

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Graph 2. December 2019 Inflation Forecast

	Dec-18	Jan-19	Feb-19	Mar-19	Apr-19	May-19	Jun-19	Jul-19	Aug-19	Sep-19	Oct-19	Nov-19	Dec-19
MOM changes	0.62	0.32	(0.08)	0.11	0.44	0.68	0.55	0.31	0.12	(0.27)	0.02	0.14	0.44
YoY changes	3.13	2.82	2.57	2.48	2.83	3.32	3.28	3.32	3.49	3.39	3.13	3.00	2.82
Yearly*	3.09	2.79	2.54	2.46	2.80	3.27	3.24	3.27	3.44	3.35	3.09	2.97	2.79

\*12-month cumulative

Source: BPS, Danareksa Research Institute

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