

April 2014**CPI AND SBI OUTLOOK****April 2014 Inflation Outlook: Continuing to Ease**

- **Pressure on prices eased in March.** On a monthly basis, the inflation rate reached 0.08 percent, down from 0.26 percent in February. YoY headline inflation also continued to decline further, falling to 7.32 percent from 7.75 percent.
- **On a monthly comparison, only prices of foodstuffs decelerated.** The foodstuffs component fell 0.44 percent, whereas the other components still posted increases: the prepared foods component climbed 0.43 percent MoM, followed by the medical care component (+0.41 percent MoM), the transportation component (+0.24 percent MoM), the housing component (+0.16 percent MoM), the education component (+0.14 percent MoM), and the clothing component (+ 0.08 percent MoM).
- **Falling prices of several commodities (red chilies, tomatoes, eggs) and stable rice prices helped push down prices of basic foodstuffs.** On the other side, to stabilize the sugar price and build up stocks, the Trade Ministry gave approval to SOE-Perum Bulog to import 350 thousand tonnes of white sugar. The sugar should be delivered from 1 April to 15 May 2014.
- **In April 2014, the peak of the harvesting season will lead to higher supply, consequently pushing down prices.** Hence, we predict the inflation pressure of 0.05 percent MoM, translating into YoY inflation of 7.32 percent.
- **In April 2014, Bank Indonesia maintained its benchmark interest rate at 7.5 percent, with the Lending Facility and Deposit Facility rates held at 7.50 percent and 5.75 percent, respectively.** BI stated that the policy was taken to ensure its inflation target is achieved and also to prevent the current account deficit from worsening. It seems that the policy is working. As the economy slowed, February's imports contracted, which, in turn, created a trade surplus of US\$ 785.3 mn. Considering the downside risks facing the economy, we don't expect the BI rate to be hiked again in the near future. For the time being, the benchmark rate will most likely be maintained at its current level.

DRI Forecast for April 2014

Inflation	
MoM (%)	0.05
YoY (%)	7.32

SBI	
End of period (% p.a)	7.50

Forecast for 2014

Inflation (%)	5.02
SBI (% p.a)	7.50

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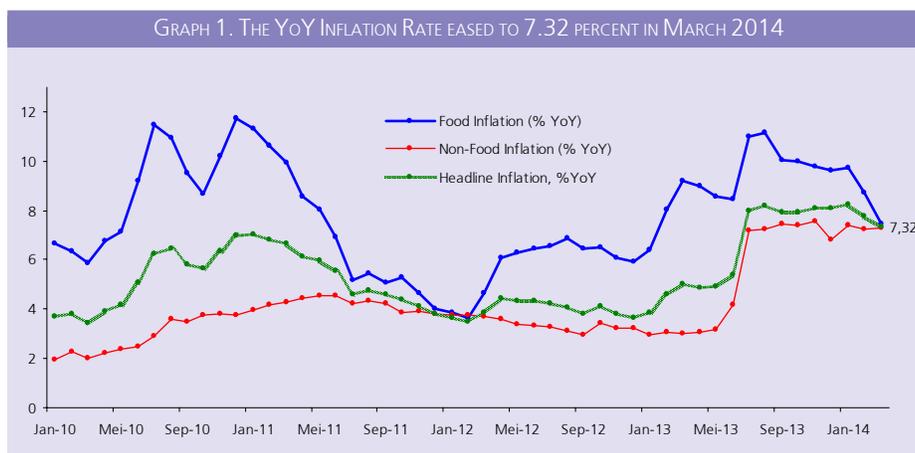


TABLE 1. CHANGES IN CONSUMER PRICE INDEX

Changes in Consumer Price Index (percent)

	M-on-M changes			Y-on-Y changes			Jan-Mar		
	Jan-14	Feb-14	Mar-14	Jan-14	Feb-14	Mar-14	2012	2013	2014
FOODSTUFF	2,77	0,36	(0,44)	11,43	9,62	7,34	0,77	6,86	2,68
PREPARED FOOD	0,72	0,43	0,43	7,63	7,59	7,60	1,46	1,21	1,59
HOUSING	1,01	0,17	0,16	6,59	5,89	5,86	1,02	1,62	1,34
CLOTHING	0,55	0,57	0,08	1,81	2,67	3,11	1,29	(1,09)	1,20
MEDICAL CARE	0,72	0,28	0,41	4,30	3,99	4,03	0,81	1,14	1,43
EDUCATION	0,28	0,17	0,14	3,75	3,78	3,85	0,30	0,04	0,60
TRANSPORTATION	0,20	0,15	0,24	13,11	13,10	13,20	0,40	(0,17)	0,59
GENERAL	1,07	0,26	0,08	8,22	7,75	7,32	0,80	2,13	1,41
Food and Non-Food									
FOOD	1,84	0,39	(0,05)	9,70	8,70	7,46	1,12	4,25	2,19
NON-FOOD	0,60	0,21	0,19	7,42	7,22	7,30	0,76	0,55	1,00

Source : BPS

TABLE 2. DRIVERS OF PRICE CHANGES IN MARCH 2014

Component	Change (%)	Drivers	Contribution (%)
Foodstuffs	(0.44)	Egg, chili, chicken meat	(0.11)
Prepared foods, beverages and cigarettes	0.43	Noodle, rice with side dishes, filtered-flavored cigarettes	0.07
Housing	0.16	Home appliance	0.04
Clothing	0.08	Gold & Jewelry	0.00
Medical care	0.41	Health services, medicine	0.02
Education, recreation and sports	0.14	Training and course	0.01
Transportation and communications	0.24	Air transportation cost, cars	0.05
		General	0.08

Source : BPS

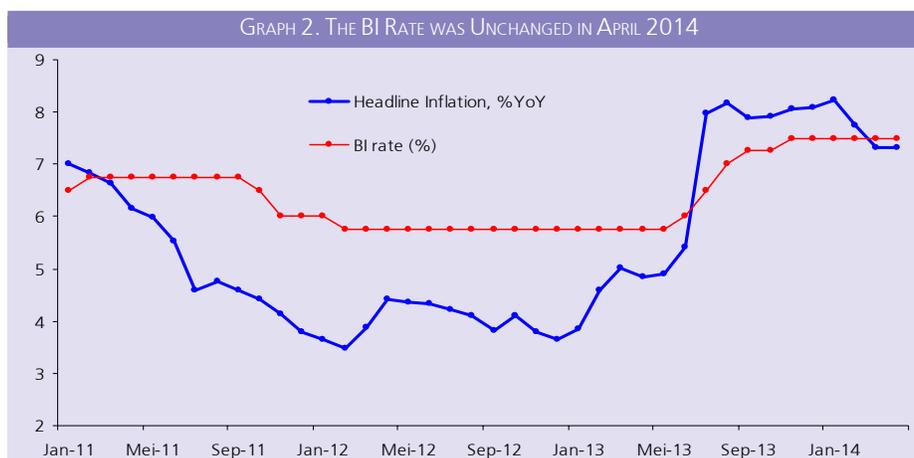
TABLE 4. APRIL 2014 INFLATION FORECAST

	Apr-13	May-13	Jun-13	Jul-13	Aug-13	Sep-13	Oct-13	Nov-13	Dec-13	Jan'14	Feb'14	Mar'14	Apr-14
M-on-M changes	0.05	0.10	1.02	3.02	0.99	(0.25)	0.18	0.16	0.45	1.07	0.26	0.08	0.05
YoY changes	4.86	4.90	5.41	7.98	8.18	7.90	7.93	8.07	8.08	8.22	7.75	7.32	7.32
Yearly*	4.76	4.79	5.29	7.74	7.93	7.67	7.70	7.82	7.83	7.96	7.52	7.13	7.13

* 12-month cumulative

Source : BPS, Danareksa Research Institute

GRAPH 2. THE BI RATE WAS UNCHANGED IN APRIL 2014



Source : BPS, Bank Indonesia

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