

**November 2018****C P I O U T L O O K****November 2018 Inflation Outlook: Stable**

- ❑ Consumer prices went up in October (+0.28% mom, +3.16% yoy) following the monthly deflation in the previous month of -0.18% mom (+2.88% yoy). In more detail, prices in the administered goods component and volatile components accelerated by 0.32% mom and 0.17% mom, respectively. Prices in the core component rose at a stable rate (+0.29% mom).
- ❑ Higher inflationary pressure mainly owed to a jump in prices in the foodstuffs component (+0.15% mom), the housing component (+0.42% mom), the transportation component (+0.26% mom), and the clothing component (+0.54% mom). Additional upward pressure on prices stemmed from higher prices in the prepared foods, education, and medical care components of 0.27% mom, 0.09% mom, and 0.06% mom, respectively.
- ❑ Looking ahead, the prices of several foodstuffs (such as rice, eggs, onions, chili) may continue to rise. However, given the absence of major seasonal events in November, we expect the monthly inflation rate to remain steady. Hence, November's inflation figure is estimated to reach 0.18 percent MoM, translating into YoY inflation of 3.14 percent.
- ❑ In its November 2018 meeting, Bank Indonesia unexpectedly hiked its benchmark 7-day Reverse Repo rate by 25 bps to 6.0 percent. The deposit facility and lending facility rates were also raised to 5.25% and 6.75%, respectively. Amid the high level of uncertainty in the global financial markets, BI's latest move appears to be intended to bring the CAD down to a safer level, as well as strengthen the attractiveness of domestic financial assets. Another consideration behind BI's move to hike its benchmark rates is the prospect of further hikes in global interest rates over the near term. Looking ahead, we believe that Indonesia's benchmark rate will be unchanged over the near term.

**DRI Forecast for November 2018**

<b>Inflation</b>	
MoM (%)	0.18
YoY (%)	3.14

<b>7D Reverse R.</b>	
End of period (%)	6.00

**Forecast for 2018**

Inflation (%)	3.20
7D Reverse R. (%)	6.00

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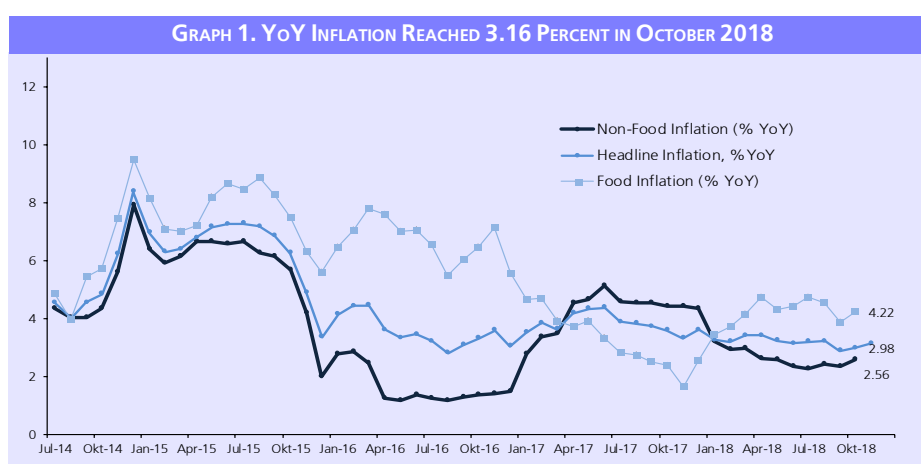
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Source : BPS,, Bank Indonesia

**TABLE 1. MoM FOODSTUFFS INFLATION**

	M-on-M changes			Y-on-Y changes			YTD		
	Aug-18	Sep-18	Oct-18	Aug-18	Sep-18	Oct-18	2016	2017	2018
FOODSTUFF	(1.10)	(1.62)	0.15	4.90	3.75	4.38	3.44	(1.34)	1.69
PREPARED FOOD	0.35	0.29	0.27	4.10	4.04	4.03	4.64	3.56	3.48
HOUSING	0.25	0.21	0.42	2.12	2.11	2.35	1.55	4.82	2.05
CLOTHING	(0.07)	0.27	0.54	3.41	3.15	3.52	3.54	3.67	3.26
MEDICAL CARE	0.20	0.41	0.06	2.93	3.18	3.03	3.28	2.53	2.57
EDUCATION	1.03	0.54	0.09	3.76	3.25	3.18	2.66	3.16	3.00
TRANSPORTATION	(0.15)	(0.05)	0.26	1.80	1.74	2.14	(1.89)	3.37	1.30
GENERAL	(0.05)	(0.18)	0.28	3.20	2.88	3.16	2.11	2.67	2.22
<b>Food and Non-Food</b>									
FOOD	(0.44)	(0.75)	0.21	4.53	3.88	4.22	3.98	0.86	2.51
NON-FOOD	0.19	0.19	0.31	2.42	2.33	2.56	0.95	3.88	2.10

Source : BPS

**TABLE 2. DRIVERS OF PRICE CHANGES IN OCTOBER 2018**

Component	Change (%)	Drivers	Contribute (%)
Foodstuffs	0.15	Red chili, rice, orange, eggs, onions	0.04
Prepared foods, beverages and cigarettes	0.27	Rise with side dishes, filtered clove cigarettes	0.05
Housing	0.42	Rental house fee, concrete steel, leasing house fee, house maid wage	0.10
Clothing	0.54	Gold and jewelry	0.03
Medical care	0.06	Health and cosmetic care	0.00
Education, recreation and sports	0.09	Course fee	0.01
Transportation and communications	0.26	Gasoline, air freight fare	0.05
		<b>General</b>	<b>0.28</b>

Source : BPS

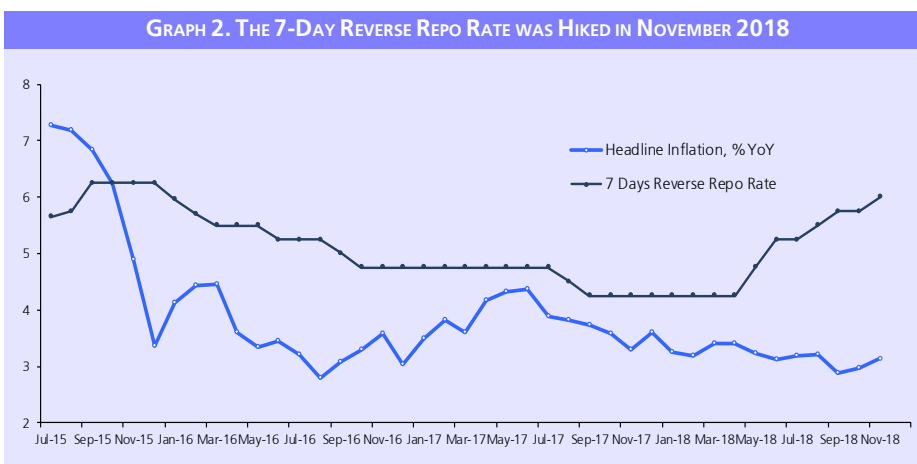
TABLE 3. NOVEMBER 2018 INFLATION FORECAST

	Nov-17	Dec-17	Jan-18	Feb-18	Mar-18	Apr-18	May-18	Jun-18	Jul-18	Aug-18	Sep-18	Oct-18	Nov-18
MoM changes	0.20	0.71	0.62	0.17	0.20	0.10	0.21	0.59	0.28	(0.05)	(0.18)	0.28	0.18
YoY changes	3.30	3.61	3.25	3.18	3.40	3.41	3.23	3.12	3.18	3.20	2.88	3.16	3.14
Yearly*	3.26	3.55	3.21	3.14	3.35	3.36	3.19	3.08	3.14	3.16	2.85	3.12	3.10

\* 12-month cumulative

Source : BPS, Danareksa Research Institute

GRAPH 2. THE 7-DAY REVERSE REPO RATE WAS HIKED IN NOVEMBER 2018



Source : BPS, Bank Indonesia

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