

December 2014

CPI AND SBI OUTLOOK

December 2014 Inflation Outlook: Full Impact

- ❑ In November, the inflation pressure was skyrocketing. The MoM inflation rate reached 1.50 percent, after accelerated by 0.47 percent in the previous month. On a yearly basis, the YoY inflation rate jumped from 4.83 percent to 6.23 percent. And cumulatively, in the January-November period, headline inflation reached 5.75 percent, remain lower than last year's 7.60 percent.
- ❑ All CPI components rose in November. The transportation components (+4.29 percent) and the foodstuff components (+2.15 percent) had the biggest MoM increase. The other components also surged: the prepared food component rose 0.71 percent, the housing component hiked 0.49 percent, the medical care component climbed 0.43 percent, the education components slightly up by 0.08 percent. Meanwhile, the clothing components fell by 0.08 percent.
- ❑ In November, increasing prices pressure mostly driven by the government's decision to hike subsidized fuel prices, given the lack of seasonality event. However, the price of several types of commodities had headed higher in advance, before the announcement of subsidized fuel price hike, forming expectation on higher price pressure.
- ❑ We believe that the full impact of government policy will be seen in December inflation figure. Moreover, the seasonal impact from the beginning of the planting season and holiday season also put additional pressure. Higher demand for basic foodstuffs and prepared food due to Christmas and the New Year holiday event typically, will push those prices increase.
- ❑ Against this backdrop, we predict inflation of 1.68 percent MoM in December, translating into YoY inflation of 7.53 percent.
- ❑ In their latest meeting, Bank Indonesia maintained the BI rate at 7.75 percent, with the Lending Facility increased to 8.00 percent and the Deposit Facility rate kept unchanged at 5.75 percent. In the short tem, we predict that the benchmark rate will stay at its current level.

DRI Forecast for December 2014

Inflation	
MoM (%)	1.68
YoY (%)	7.53

SBI	
End of period (% p.a)	7.75

Forecast for 2014

Inflation (%)	7.53
SBI (% p.a)	7.75

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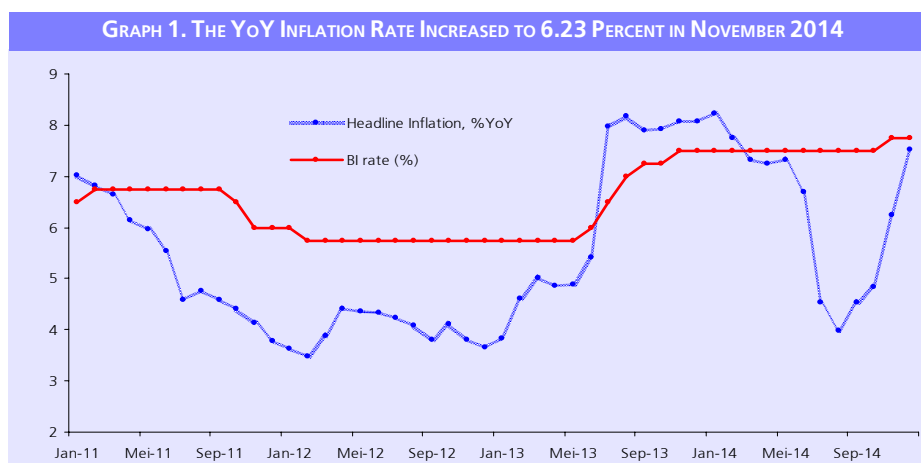
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Source : BPS,, Bank Indonesia

TABLE 1. CHANGES IN CONSUMER PRICE INDEX (PERCENT)

	M-on-M changes			Y-on-Y changes			Jan-Nov		
	Sep-14	Oct-14	Nov-14	Sep-14	Oct-14	Nov-14	2012	2013	2014
FOODSTUFF	(0,17)	0,25	2,15	4,59	5,19	7,97	4,03	10,84	7,12
PREPARED FOOD	0,51	0,43	0,71	6,53	6,36	6,79	5,80	6,44	6,03
HOUSING	0,77	1,04	0,49	5,57	6,37	6,18	3,17	5,80	5,83
CLOTHING	(0,17)	0,21	(0,08)	2,32	2,80	2,67	4,42	0,53	2,42
MEDICAL CARE	0,29	0,60	0,43	4,74	5,08	5,17	2,72	3,51	4,94
EDUCATION	0,68	0,23	0,08	4,21	4,13	4,13	4,16	3,21	4,06
TRANSPORTATION	(0,24)	0,16	4,29	2,39	2,25	6,58	1,93	12,00	6,25
GENERAL	0,27	0,47	1,50	4,53	4,83	6,23	3,20	7,60	5,75
Food and Non-Food									
FOOD	0,14	0,33	1,50	5,46	5,72	7,43	4,88	8,81	6,63
NON-FOOD	0,32	0,55	1,53	4,01	4,34	5,60	3,04	6,52	5,31

Source : BPS

TABLE 2. DRIVERS OF PRICE CHANGES IN NOVEMBER 2014

Component	Change (%)	Drivers	Contribution (%)
Foodstuffs	2.15	Red chili, rice, spinach	0.45
Prepared foods, beverages and cigarettes	0.71	Noodle, Filtered-flavored cigarettes	0.11
Housing	0.49	Electricity tariff, house rent	0.12
Clothing	(0.08)	Gold and jewelry	(0.01)
Medical care	0.43	Health services	0.02
Education, recreation and sports	0.08	Tuition costs	0.01
Transportation and communications	4.29	Gasoline, land transport	0.80
		General	1.50

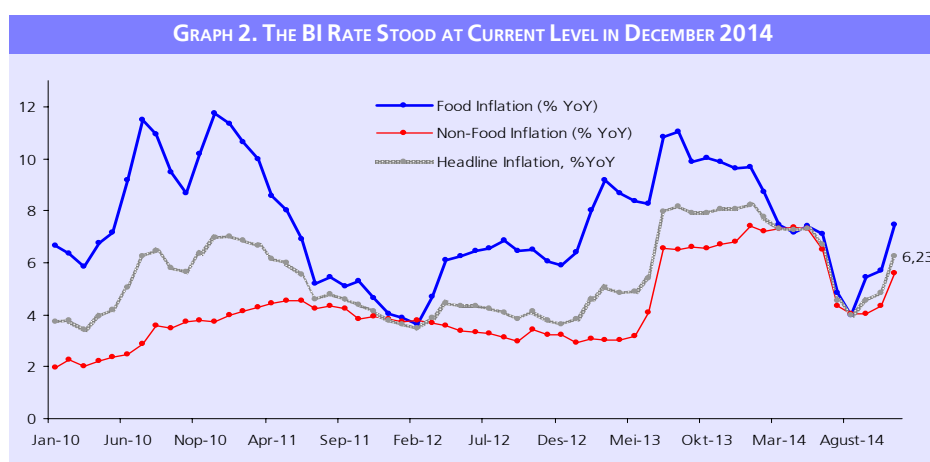
Source : BPS

TABLE 4. DECEMBER 2014 INFLATION FORECAST

	Dec-13	Jan'14	Feb'14	Mar'14	Apr-14	May-14	Jun-14	Jul -14	Aug-14	Sep-14	Oct-14	Nov-14	Dec-14
MoM changes	0,45	1,07	0,26	0,08	(0,02)	0,16	0,43	0,93	0,47	0,27	0,47	1,50	1,68
YoY changes	8,08	8,22	7,75	7,32	7,25	7,32	6,70	4,53	3,99	4,53	4,83	6,23	7,53
Yearly*	7,83	7,96	7,52	7,13	7,06	7,13	6,54	4,45	3,93	4,45	4,73	6,07	7,30

* 12-month cumulative

Source : BPS, Danareksa Research Institute



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