

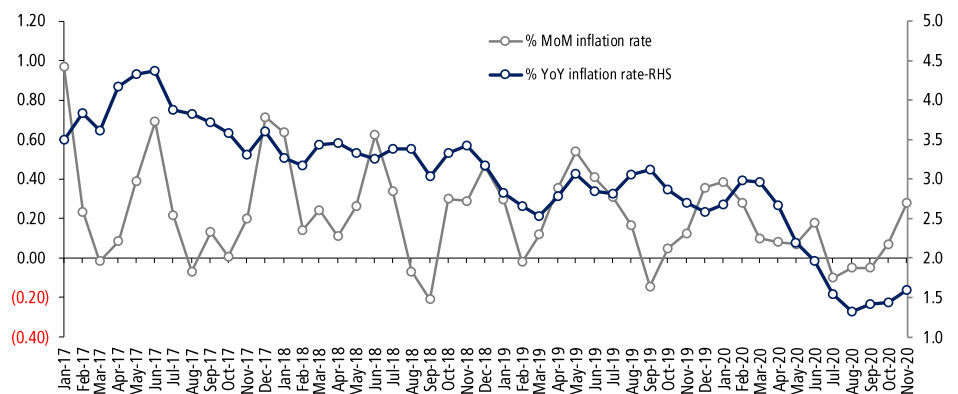
November 2020 Inflation Update: The Deflationary Trend is Over

Forecast for 2020

Inflation (%)	1.52 – 2.15
7D Reverse Repo (%)	4.00 – 4.25

- **The end of the deflationary trend does not indicate an increase in the people's purchasing power.** November's headline inflation rate reached 0.28% mom or up from 0.07% mom in the previous month. November's inflation rate is higher than the median market consensus of 0.21% mom and higher than our estimate of 0.23% mom. This month's increase in inflation owed largely to rising food prices due to changes in the weather that hindered production and distribution. This is not an indication of a recovery in public demand and purchasing power.
- **On an annual basis, inflation in Indonesia continued to decline compared to November 2019 amid the Covid-19 outbreak.** The consumer price index showed a smaller increase (+1.59% yoy) in November 2020 compared to the same month in 2019 (+3.00% yoy). This is the sixth lowest annual inflation rate since May 2000 (+1.2% yoy).
- **Low core inflation suggests that purchasing power has not yet recovered.** In more detail, prices in the core component increased (+0.06% mom) but on an annual basis they rose at a slower pace (+1.67% yoy). November's core inflation was the lowest since 2004. The low core inflation still indicates that the people's purchasing power is lethargic amid the aggressive disbursement of social assistance. The volatile goods component and the administered goods component both posted increases (+1.31% mom and +0.16% mom).
- **The increase in food prices resulted in inflation in November 2020.** The inflation in November was still driven by the food, beverages and tobacco component (+0.86% mom) with a share of 0.22%. Inflation in this component was driven by increases in the prices of chicken, eggs, red chilies and shallots. The increases in the prices of several food commodities largely reflects disruptions to supply due to adverse weather conditions. Nonetheless, the prices of both rice and meat decreased. Meanwhile, the other component that pushed up inflation in November was the transportation component (+0.30% mom) with a share of 0.04%. Increases in airfares remained one of the main factors driving inflation in the transportation component. The long holiday that fell last month had an impact on this month's inflation in the transportation component.

Graph 1. YoY Inflation Only Reached 1.59 Percent in November 2020



Source : BPS

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Table 1. Consumer Price Index Changes

	M-on-M changes			Y-on-Y changes			YTD
	Sep-20	Oct-20	Nov-20	Sep-20	Oct-20	Nov-20	Nov-20
Food, Beverage, and Tobacco	-0.37	0.29	0.86	1.78	2.25	2.87	2.10
Clothing and Footwear	-0.01	0.09	0.14	1.04	1.05	1.18	0.98
Housing	0.07	-0.04	-0.04	0.66	0.56	0.41	0.32
Household and Equipment	0.15	-0.03	0.08	1.50	1.33	1.16	0.95
Health	0.16	0.15	0.32	3.24	2.93	2.98	2.60
Transportation	-0.33	-0.14	0.30	-0.72	-0.79	-0.47	-1.30
Information, Communication and Financial Service	-0.01	-0.02	0.02	-0.42	-0.44	-0.43	-0.34
Recreation, Sport and Culture	0.00	0.02	0.04	1.07	0.92	0.83	0.74
Education	0.62	0.04	0.12	1.34	1.29	1.40	1.40
Food and Beverage Provision	0.13	0.19	0.11	2.37	2.11	2.11	1.99
Personal Care and Other Service	0.25	-0.11	-0.23	6.97	6.62	6.21	6.11
GENERAL	-0.05	0.07	0.28	1.42	1.44	1.59	1.23
Food and Non-Food							
FOOD	-0.24	0.27	0.67	1.93	2.21	2.67	2.07
NON-FOOD	0.06	-0.03	0.07	1.16	1.05	1.04	0.80

Source: BPS

Table 2. Drivers of Price Changes in November 2020

Component	Change (%)	Drivers	Contribution (%)
Food, Beverage, and Tobacco	0.86	chicken, shallot, eggs and red chillies	0.22
Clothing and Footwear	0.14	man and woman apparel	0.01
Housing	-0.04	rent and house contract	-0.01
Household and Equipment	0.08	electricity and household fuel	0.00
Health	0.32	medicine & health product	0.01
Transportation	0.30	air fares	0.04
Information, Communication and Financial Service	0.02	information and communication equipment	0.00
Recreation, Sport and Culture	0.04	recreation, sport and cultural services	0.00
Education	0.12	tutoring fees	0.01
Food and Beverage Provision	0.11	food and beverage services	0.01
Personal Care and Other Service	-0.23	gold jewelry	-0.01
		General	0.28

Source: BPS

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