

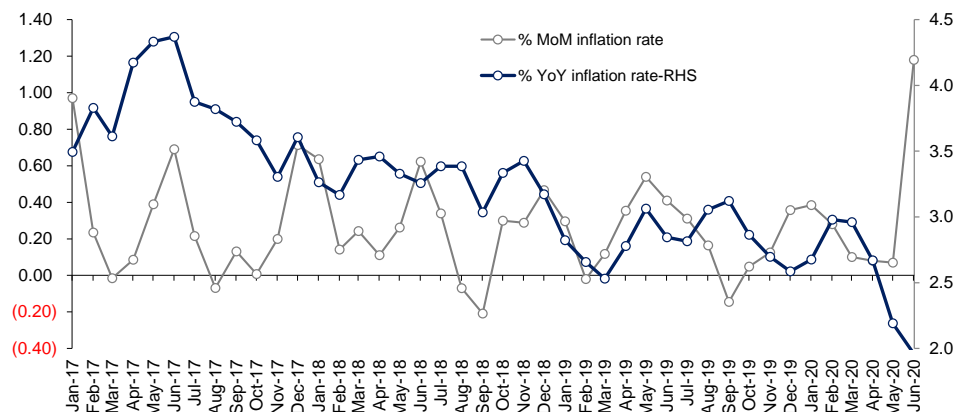
June 2020 Inflation Update: Slightly Increase

Forecast for 2020

Inflation (%)	3.70 – 4.10
7D Reverse Repo (%)	4.00 – 4.50

- June’s headline inflation rate reached 0.18% mom, higher than in the previous month (+0.07% mom in May), and higher than the median market consensus (+0.08% mom) and our estimate of +0.03% mom. Inflation in June 2020 was driven by rising prices in the foodstuffs component (+0.12% mom) and in the transportation component (+0.05% mom). However, the inflation in June 2020 is lower than it was in June 2018 (0.59% mom) and in June 2019 (0.55% mom). The low inflation in June 2020 reflects the people’s weak purchasing power even though the government relaxed its policy of large-scale social restrictions.
- On an annual basis, the consumer price index in June 2020 (+1.96% yoy) showed a lower increase than in the same period in 2019 (+3.28% yoy). In more detail, prices in the core component, the administered goods component and the volatile goods component all increased (+0.02% mom, +0.22% mom, +0.77% mom). Core inflation weakened 2.65% yoy. We suspect this reflects the impact of the implementation of large-scale social restrictions that have led to higher unemployment and therefore weaker purchasing power.
- Compared to May, inflation in June was driven by the food, beverages and tobacco component (+0.47% mom) with a share of 0.12%. The increase in the food, beverages and tobacco component reflects price increases of chicken and eggs. The new normal policy which took effect in early June meant that many businesses were able to reopen so that domestic demand increased – especially for foodstuffs. By contrast, the prices of garlic, red chillies, small chillies, sugar, and cooking oil decreased. Meanwhile, the other component that pushed up inflation in June was the transportation component (+0.41%) with a share of 0.05%. The government’s policy to allow businesses to reopen and 70% passenger quota restrictions lifted prices in the transportation component. Prices in some other CPI components rose at a slower pace including the food and beverages component (+0.28%) and the recreation component (+0.13%).

Graph 1. YoY Inflation Reached 0.18 Percent in June 2020



Source : BPS

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Table 1. Consumer Price Index Changes

	M-on-M changes			Y-on-Y changes			YTD
	Apr-20	May-20	Jun-20	Apr-20	May-20	Jun-20	Jun-20
Food, Beverage, and Tobacco	0.09	(0.32)	0.47	5.28	3.37	3.03	2.94
Clothing and Footwear	0.04	0.09	0.02	2.26	1.95	1.27	0.60
Housing	0.09	0.04	(0.04)	1.22	1.24	1.12	0.32
Household and Equipment	0.09	0.10	(0.03)	2.49	2.25	1.66	0.57
Health	0.23	0.27	0.13	4.08	4.13	4.16	1.61
Transportation	(0.42)	0.87	0.41	(1.78)	(1.37)	(0.95)	(0.83)
Information, Communication and Financial Service	(0.34)	0.08	(0.06)	(0.37)	(0.29)	(0.30)	(0.38)
Recreation, Sport and Culture	0.03	0.06	0.13	1.56	1.48	1.42	0.48
Education	0.00	0.00	0.00	3.75	3.68	3.66	(0.11)
Food and Beverage Provision	0.18	0.08	0.28	3.99	3.62	2.96	1.26
Personal Care and Other Service	1.20	0.12	(0.08)	6.49	6.64	5.66	3.13
GENERAL	0.08	0.07	0.18	2.67	2.19	1.96	1.09
Food and Non-Food							
FOOD	0.12	(0.22)	0.42	4.94	3.43	3.01	2.50
NON-FOOD	0.05	0.22	0.06	1.52	1.56	1.42	0.37

Source: BPS

Table 2. Drivers of Price Changes in June 2020

Component	Change (%)	Drivers	Contribution (%)
Food, Beverage, and Tobacco	0.47	chicken & eggs	0.12
Clothing and Footwear	0.02	man and woman apparel, gold	0.00
Housing	(0.04)	household fuel	(0.01)
Household and Equipment	(0.03)	housing equipment	0.00
Health	0.13	health services and medicine	0.00
Transportation	0.41	airfares, inter-city transportation and online transportation	0.05
Information, Communication and Financial Service	(0.06)	information and communication equipment	0.00
Recreation, Sport and Culture	0.13	recreation, sport and cultural services	0.00
Education	0.00	-	0.00
Food and Beverage Provision	0.28	food and beverage	0.02
Personal Care and Other Service	(0.08)	other personal care	0.00
		General	0.18

Source: BPS

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