

May 2020 Inflation Update: Different Inflation Pattern in May 2020

Forecast for 2020

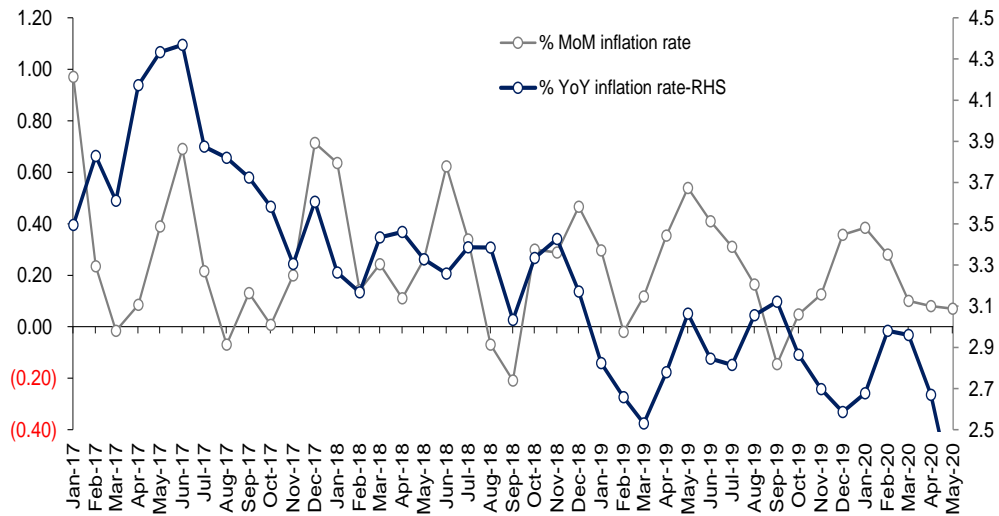
Inflation (%)	3.70 – 4.10
7D Reverse Repo (%)	4.00 – 4.50

- May's headline inflation rate reached 0.07% mom, up but at a slower pace than in the previous month (+0.08% mom in April), and lower than the median market consensus (+0.12% mom) and our estimate of 0.10% mom. The inflation in Ramadhan and Idul Fitri in May 2020 exhibited a different pattern from the previous year, owing to the Covid-19 outbreak. People's consumption patterns changed during this year's Ramadhan and Idul Fitri due to the government's large-scale social distancing restriction policy to limit the Covid-19 outbreak in Indonesia. This social restriction policy reduced the people's income resulting in lower demand for goods and services. Inflation in May 2020 was driven by rising prices in the transportation component. However, the inflation in May 2020 is lower than it was in May 2018 (0.21% mom) and May 2019 (0.68% mom).
- On an annual basis, the consumer price index in May 2020 (+2.19% yoy) showed a lower increase than in the same period in 2019 (+3.32% yoy). In more detail, prices in the core and administered goods components increased by 0.06% mom and 0.67% mom, respectively. Prices in the volatile goods component, however, decreased (-0.50% mom).
- Inflation in May 2020 was driven by the transportation component (+0.87%) with a share of 0.10%. The increase in the transportation component reflected price increases in airfares and train fares amid large-scale social restrictions to reduce the impact of the Covid-19 outbreak. Inflation in the transportation component is still lower than during Ramadhan and Idul Fitri in the previous year. May's inflation rate was restrained by deflation in the food, beverages and tobacco component (-0.32%) with a share of -0.08%. Deflation in this component reflected lower prices of red chilies, eggs, garlic, sugar, cooking oil, rice and onions. By contrast, the prices of red onions, chicken, meat and several types of cigarettes increased. The downward trend in the prices of some foodstuffs is in line with the government's efforts to overcome the scarcity of staples available in the market during Ramadhan and Idul Fitri amid the Covid-19 outbreak.
- Some other CPI components rose at a slower pace including the healthcare component (+0.27%), the personal care and other services component (+12%), the household component (+0.10%), the clothing component (+0.09%), the information component (+0.08%), the food and beverages component (+0.08%), the recreation component (+0.06%), and the housing component (+0.04%). There was no change in the education component (+0.00%). Inflation in the healthcare component was driven by price increases in the medicines and health products group.

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Graph 1. YoY Inflation Reached 0.07 Percent in May 2020



Source: BPS

Table 1. Consumer Price Index Changes

	M-on-M changes			Y-on-Y changes			YTD
	Mar-20	Apr-20	May-20	Mar-20	Apr-20	May-20	May-20
Food, Beverage, and Tobacco	0.10	0.09	(0.32)	6.15	5.28	3.37	2.46
Clothing and Footwear	0.12	0.04	0.09	2.44	2.26	1.95	0.58
Housing	0.02	0.09	0.04	1.32	1.22	1.24	0.36
Household and Equipment	0.28	0.09	0.10	2.62	2.49	2.25	0.60
Health	0.21	0.23	0.27	4.04	4.08	4.13	1.48
Transportation	(0.43)	(0.42)	0.87	(1.09)	(1.78)	(1.37)	(1.23)
Information, Communication and Financial Service	(0.09)	(0.34)	0.08	(0.12)	(0.37)	(0.29)	(0.32)
Recreation, Sport and Culture	0.02	0.03	0.06	1.61	1.56	1.48	0.35
Education	0.00	0.00	0.00	3.77	3.75	3.68	(0.11)
Food and Beverage Provision	0.36	0.18	0.08	4.01	3.99	3.62	0.98
Personal Care and Other Service	0.99	1.20	0.12	5.40	6.49	6.64	3.22
GENERAL	0.10	0.08	0.07	2.96	2.67	2.19	0.90
Food and Non-Food							
FOOD	0.17	0.12	(0.22)	5.60	4.94	3.43	2.07
NON-FOOD	0.05	0.05	0.22	1.64	1.52	1.56	0.31

Source: BPS

Table 2. Drivers of Price Changes in May 2020

Component	Change (%)	Drivers	Contribution (%)
Food, Beverage, and Tobacco	(0.32)	red chilies, eggs, garlic, sugar, cooking oil, rice and onions	(0.08)
Clothing and Footwear	0.09	man and woman apparel, gold	0.00
Housing	0.04	household fuel	0.01
Household and Equipment	0.10	housing equipment	0.01
Health	0.27	health services and medicine	0.01
Transportation	0.87	airfares and train fares	0.10
Information, Communication and Financial Service	0.08	information and communication equipment	0.00
Recreation, Sport and Culture	0.06	recreation, sport and cultural services	0.00
Education	0.00	training and education equipments	0.00
Food and Beverage Provision	0.08	food and beverage services	0.01
Personal Care and Other Service	0.12	gold jewellery	0.01
		General	0.07

Source: BPS

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