

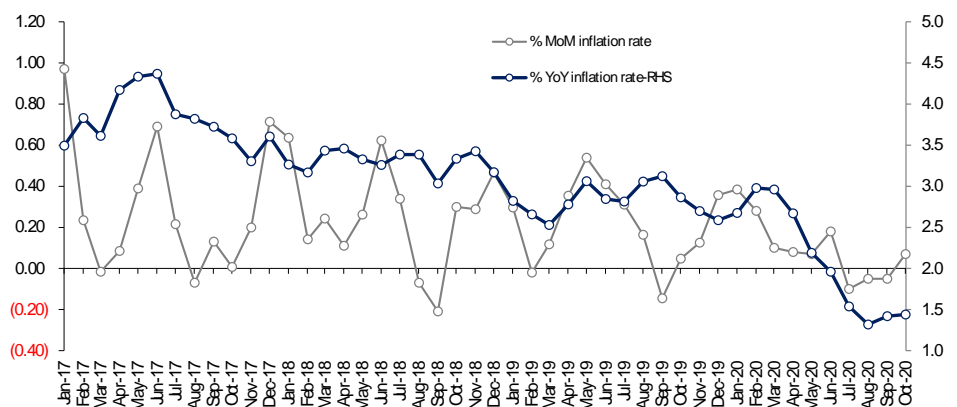
October 2020 Inflation Update: Early signs of upward price movements

Forecast for 2020

Inflation (%)	2.00 – 2.60
7D Reverse Repo (%)	4.00 – 4.50

- **Prices have started to increase, but this does not indicate an increase in the people's purchasing power.** October's headline inflation rate reached 0.07% mom, after post -0.05% mom deflation in the previous month. October's inflation is the same as the median market consensus of 0.07% mom but lower than our estimate of 0.09% mom. October's inflation was driven by rising food prices due to changes in the weather. October's inflation does not necessarily indicate an increase in the people's purchasing power, as core inflation was low compared to the volatile foods inflation.
- **On an annual basis, inflation in Indonesia continued to decline compared to October 2019 amid the Covid-19 outbreak.** The consumer price index showed a smaller increase (+1.44% yoy) in October 2020 compared to the same month in 2019 (+3.13% yoy). This is the fourth lowest annual inflation rate since May 2000 (+1.2% yoy).
- **Core inflation continued to decline until October 2020.** In more detail, prices in the core component increased (+0.04% mom) but on an annual basis they weakened to 1.74% yoy. The low core inflation still indicates that the people's purchasing power is lethargic amid the aggressive disbursement of social protection programs. The goods component increased by 0.40% mom, although, by contrast, the administered goods component posted a decline (-0.15% mom).
- **The increase in food prices resulted in inflation for October 2020.** The inflation in October was still driven by the food, beverages and tobacco component (+0.29% mom) with a share of 0.07%. Inflation in the food, beverages and tobacco component was driven by increases in the prices of red chilies, shallots and cooking oil. The increases in several food commodities was caused by disrupted supply due to weather conditions. However, the prices of eggs, chicken and some fruits decreased. Meanwhile, the transportation component posted deflation by -0.14% mom with a share of -0.02%. Falling airfares remained one of the main factors driving deflation in the transportation component. Long holidays have not led to higher inflation as people remain wary regarding the risks of traveling out of town.

Graph 1. YoY Inflation Only Reached 1.44 Percent in October 2020



Source : BPS

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Table 1. Consumer Price Index Changes

	M-on-M changes			Y-on-Y changes			YTD
	Aug-20	Sep-20	Oct-20	Aug-20	Sep-20	Oct-20	Oct-20
Food, Beverage, and Tobacco	(0.86)	(0.37)	0.29	0.79	1.78	2.25	0.93
Clothing and Footwear	0.07	(0.01)	0.09	1.14	1.04	1.05	0.75
Housing	0.02	0.07	(0.04)	0.64	0.66	0.56	0.40
Household and Equipment	0.08	0.15	(0.03)	1.55	1.50	1.33	0.91
Health	0.06	0.16	0.15	3.65	3.24	2.93	2.13
Transportation	(0.14)	(0.33)	(0.14)	(0.13)	(0.72)	(0.79)	(1.46)
Information, Communication and Financial Service	0.03	(0.01)	(0.02)	(0.24)	(0.42)	(0.44)	(0.34)
Recreation, Sport and Culture	0.05	0.00	0.02	1.16	1.07	0.92	0.68
Education	0.57	0.62	0.04	1.61	1.34	1.29	1.24
Food and Beverage Provision	0.13	0.13	0.19	2.45	2.37	2.11	1.68
Personal Care and Other Service	2.02	0.25	(0.11)	7.47	6.97	6.62	6.47
GENERAL	(0.05)	(0.05)	0.07	1.32	1.42	1.44	0.89
Food and Non-Food							
FOOD	(0.61)	(0.24)	0.27	1.22	1.93	2.21	1.40
NON-FOOD	0.24	0.06	(0.03)	1.38	1.16	1.05	0.73

Source: BPS

Table 2. Drivers of Price Changes in October 2020

Component	Change (%)	Drivers	Contribution (%)
Food, Beverage, and Tobacco	0.29	red chillies, shallot and cooking oil	0.07
Clothing and Footwear	0.09	man and woman apparel	0.01
Housing	(0.04)	rent and house contract	(0.01)
Household and Equipment	(0.03)	housing equipment	0.00
Health	0.15	medicine & health product	0.01
Transportation	(0.14)	air fares	(0.02)
Information, Communication and Financial Service	(0.02)	information and communication equipment	0.00
Recreation, Sport and Culture	0.02	recreation, sport and cultural services	0.00
Education	0.04	academy fees	0.00
Food and Beverage Provision	0.19	food and beverage services	0.02
Personal Care and Other Service	(0.11)	gold jewelry	(0.01)
		General	0.07

Source: BPS

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