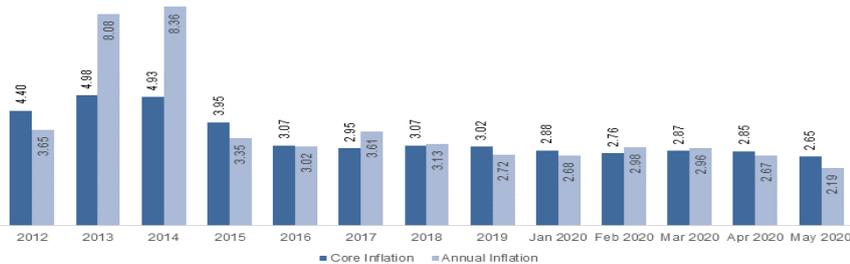


May Inflation

Extended Large-Scale Social Distancing Suppresses Inflation

Macro Report | June 2, 2020

Indonesia's Inflation (%)



Source: Bloomberg, NHKS Research

Anomaly Pattern in Ramadhan Period

Central Bureau of Statistics recorded a 0.07% inflation MoM in May 2020 and 2.19% YoY. With this figure, Inflation for the period January to May 2020 stood at an extremely low level of 0.91% YtD. We see the current inflation pattern as unusual, the corona virus outbreak as the main cause of the currently low inflation. The pandemic has suppressed demand for Goods and Services, which usually at its highest during Ramadhan period.

The practice of Large-Scale Social Distancing has put a limit to social and economy activities, hence reducing Purchase Power. This extreme limited activity in May 2020 has caused sale of goods such as Clothes and Shoes to have minimal effects on inflation. Social Distancing also put immense pressures on Tourism and Transportation. Furthermore, non-Staple Goods trade also suffered from this policy. As a comparison, Inflation during Ramadhan in 2019 was 0.35% MoM and 0.54% MoM the month after. Meanwhile, Inflation during Ramadhan in 2018 and 2017 were recorded at 0.62% MoM and 0.69% MoM respectively.

Mudik Season Helped Transportation Sector Inflation

The annual ritual of Mudik (going home) during Ramadhan 2020 has helped transportation as the biggest contributor for May 2020 inflation. A lot of people still insist on going home despite government's effort to ban travel during this year's lebaran season. The transportation sector contributed to 0.87% MoM for May inflation and 0.10% for total Inflation for the month. On the other hand, extended Social Distancing has cause transportation cost to be considerably lower than previous year.

Low Imported Inflation Figure

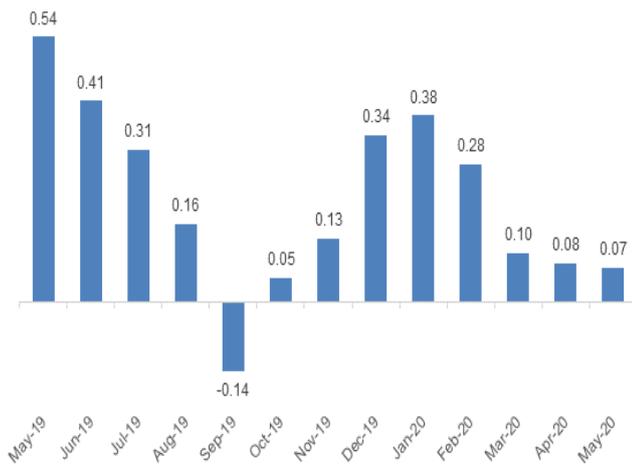
The second factor for low inflation in May 2020 was weak commodity prices. This caused Imported goods prices and imported inflation to plunge. Thirdly, the currency exchange for Rupiah remained stable. The appreciation of Rupiah in May 2020 also contributed to inflation. Beforehand, the Rupiah had experienced a depreciation in March 2020. With this new development, we are optimistic that inflation for 2020 will remain low and in-line with Bank Indonesia (BI) target of 3% (+/- 1%).

Arief Machrus

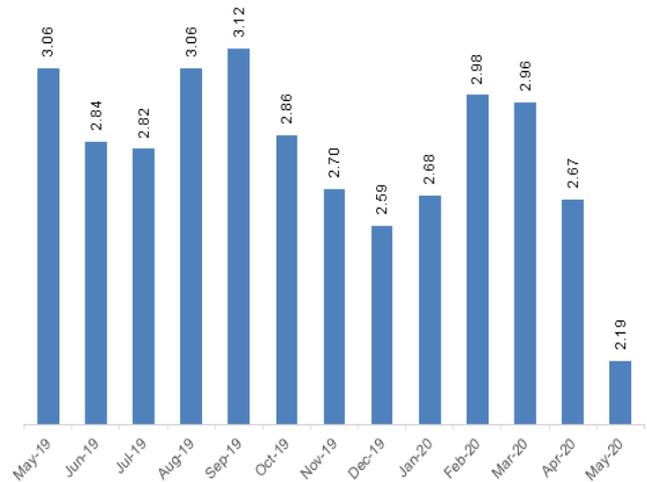
arief.machrus@nhsec.co.id

Please consider important disclaimer

Monthly Inflation (%) | May 19 - May 20



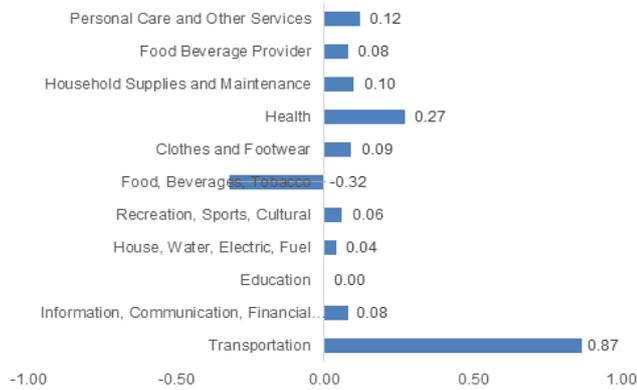
Annual Headline Inflation (%) | May 19 - May 20



Source: Bloomberg, NHKS Research

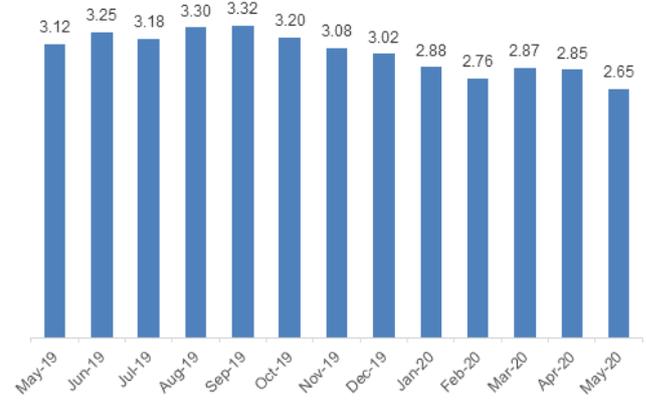
Source: Bloomberg, NHKS Research

Inflation Rate Based on Expenditure Group (%)



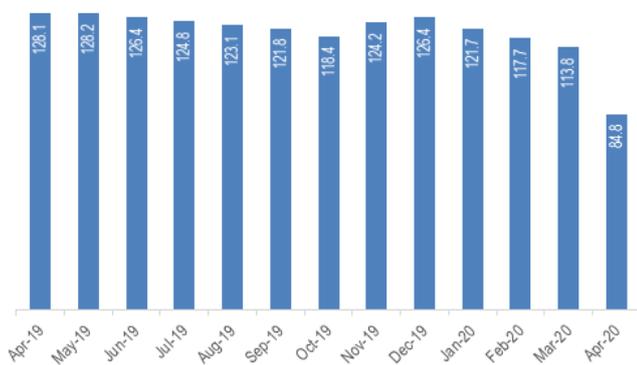
Source: Indonesia Statistics, NHKS Research

Core CPI (%) | May 19 - May 20



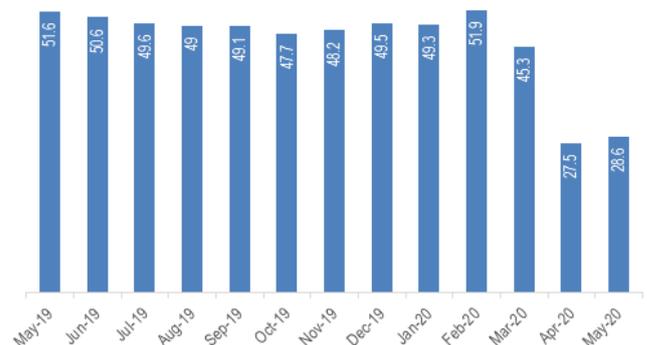
Source: Bloomberg, NHKS Research

Consumer Confidence Index | Apr. 19 - Apr. 20



Source: Bloomberg, NHKS Research

Indonesia Manufacturing PMI | May 19 - May 20



Source: Bloomberg, NHKS Research

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