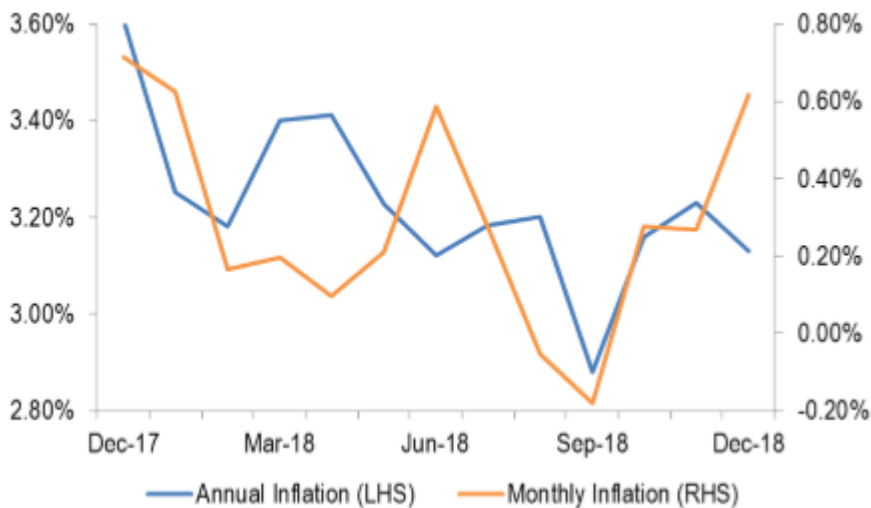


December's Inflation

Effects of Year-End Demand

Indonesia Inflation



Source: Indonesia Statistics, NHKS research

Highlights of Inflation in December 2018

In December 2018, Indonesia posted the inflation of 0.62% m-m, higher than that in November of 0.27% m-m. Meanwhile, on annual basis, December's inflation was at 3.13%. The figure was much lower than the inflation of 3.61% in 2017 and the 3-year average inflation of 3.33%.

Determiners: Higher Demand in Year End

Such seasonal factor as the higher demand in year-end drove December's inflation to soar. It was portrayed from such inflation components as volatile and administrated prices, soaring significantly. The volatile components posted the inflation of 1.55% m-m, much higher than that in November of 0.23% m-m. The volatile inflation mainly derived from such commodities as broiler eggs, broiler chicken, shallots, rice, and fresh fish.

Meanwhile, in December 2018, the administered prices component posted the inflation of 1.20% m-m, higher than that in November of 0.52% m-m. This component posted inflation mainly sourcing from the hike in transportation prices of flight, trains, intercity transportation tariffs. Additionally, on an annual basis, the administered prices component posted the inflation of 3.36%, much higher than that of 3.07% in November.

Muhammad Rizaldi

+62 21 797 6202, ext:164

aldi@nhsec.co.id

Please consider important disclaimer

Consistent Core Inflation

The core inflation in December was at 0.17% m-m, slightly lower than that of 0.22% m-m in November 2018. On an annual basis, December's core inflation was at 3.07%, higher than that of 3.03% y-y in November. The government's success in maintaining a stable domestic demand was a logical takeaway for the consistent core inflation. The catalyst for December's core inflation was mainly derived from such commodities as packaged mineral water, rice and dishes, rented houses, and concrete.

2018 Inflation Aligning with Bank Indonesia's Projection

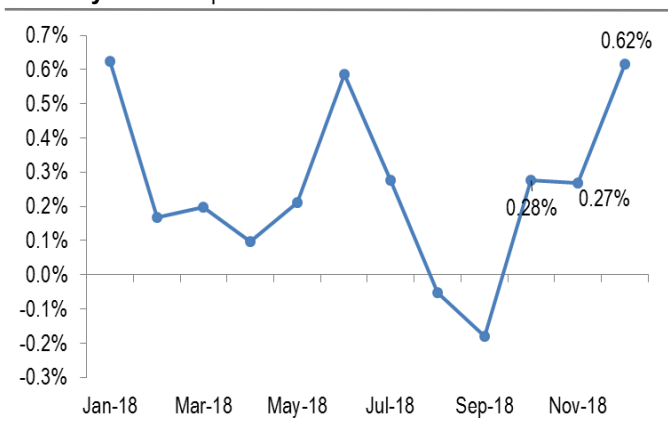
The 2018 inflation of 3.13% y-y settled at BI's projected inflation level of 2.5%-4.5%. The inflation figure was slower than that in 2017. We oversee that the figure was attributable to the unchanged prices of subsidized fuel (BBM) and electricity tariffs in 2018. On the other side, BI's concerted commitment to maintaining the rupiah stability was the determinant factor for the 2018 inflation.

Inflation Statistics

	Annual Inflation			Monthly Inflation		
	Dec '17	Nov '18	Dec '18	Dec '17	Nov '18	Dec '18
Headline Inflation	3.61%	3.23%	3.13%	0.71%	0.27%	0.62%
Based on Expenditure						
Foodstuff	1.26%	4.25%	3.41%	2.26%	0.24%	1.45%
Prepared food, Beverages, Cigarette and Tobacco	4.10%	4.04%	4.04%	0.30%	0.20%	0.22%
Housing, Water, Electricity, Gas and Fuel	5.14%	2.47%	2.43%	0.17%	0.25%	0.13%
Clothes	3.92%	3.36%	3.59%	0.13%	0.23%	0.08%
Health	2.99%	3.11%	3.14%	0.18%	0.36%	0.20%
Education, Recreation and Sport	3.33%	3.13%	3.15%	0.07%	0.05%	0.10%
Transportation, Communication and Financial Services	4.23%	2.62%	3.16%	0.75%	0.56%	1.28%
Based on Components						
Core	2.95%	3.03%	3.07%	0.13%	0.22%	0.17%
Administered Price	8.70%	3.07%	3.36%	0.91%	0.52%	1.20%
Volatile	0.71%	4.32%	2.47%	2.46%	0.23%	1.55%

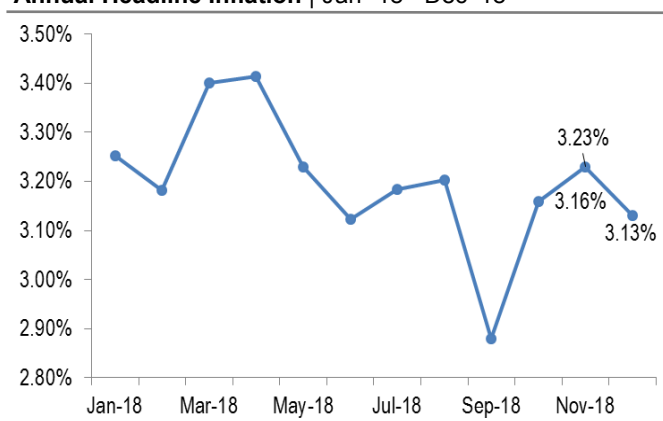
Source: Indonesia Statistics, NHKS Research

Monthly Inflation | Jan '18 - Dec '18



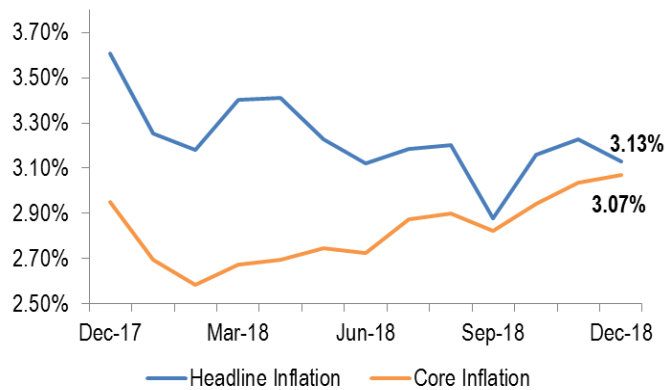
Source: Indonesia Statistics, NHKS Research

Annual Headline Inflation | Jan '18 - Dec '18



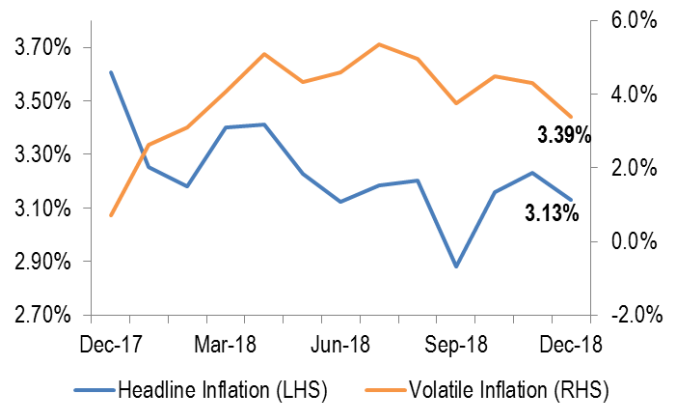
Source: Indonesia Statistics, NHKS Research

Annual Headline and Core Inflation | Dec'17 - Dec'18



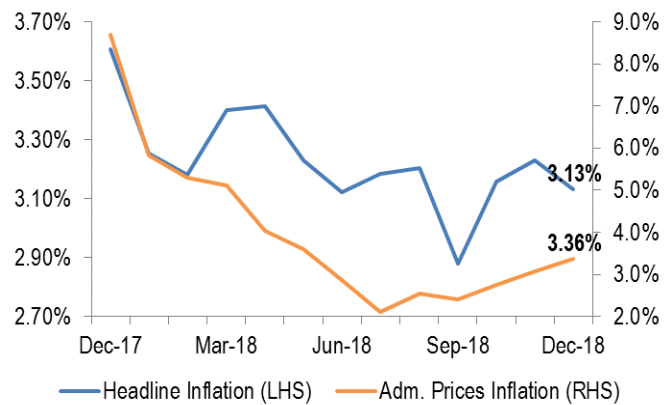
Source: Indonesia Statistics, NHKS research

Annual Headline and Volatile Inflation | Dec'17 - Dec'18



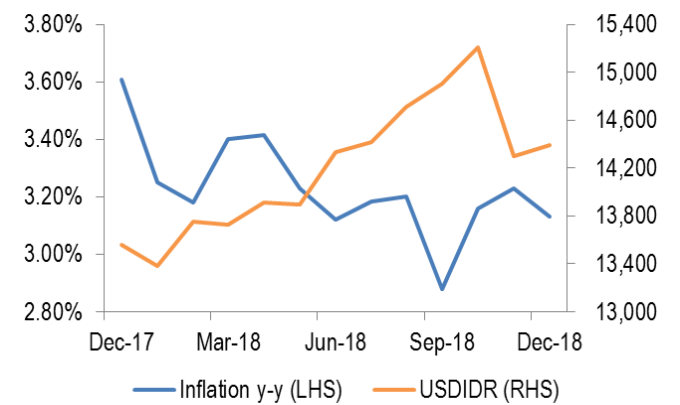
Source: Indonesia Statistics, NHKS research

Annual Headline and Adm. Prices Inflation | Dec'17 - Dec'18



Source: Indonesia Statistics, NHKS research

Inflation & USDIDR | Dec'17 - Dec'18



Source: Indonesia Statistics, NHKS research

DISCLAIMER

This report and any electronic access hereto are restricted and intended only for the clients and related entity of PT NH Korindo Sekuritas Indonesia. This report is only for information and recipient use. It is not reproduced, copied, or made available for others. Under no circumstances is it considered as a selling offer or solicitation of securities buying. Any recommendation contained herein may not suitable for all investors. Although the information here is obtained from reliable sources, its accuracy and completeness cannot be guaranteed. PT NH Korindo Sekuritas Indonesia, its affiliated companies, respective employees, and agents disclaim any responsibility and liability for claims, proceedings, action, losses, expenses, damages, or costs filed against or suffered by any person as a result of acting pursuant to the contents hereof. Neither is PT NH Korindo Sekuritas Indonesia, its affiliated companies, employees, nor agents liable for errors, omissions, misstatements, negligence, inaccuracy arising herefrom.

All rights reserved by PT NH Korindo Securities Indonesia