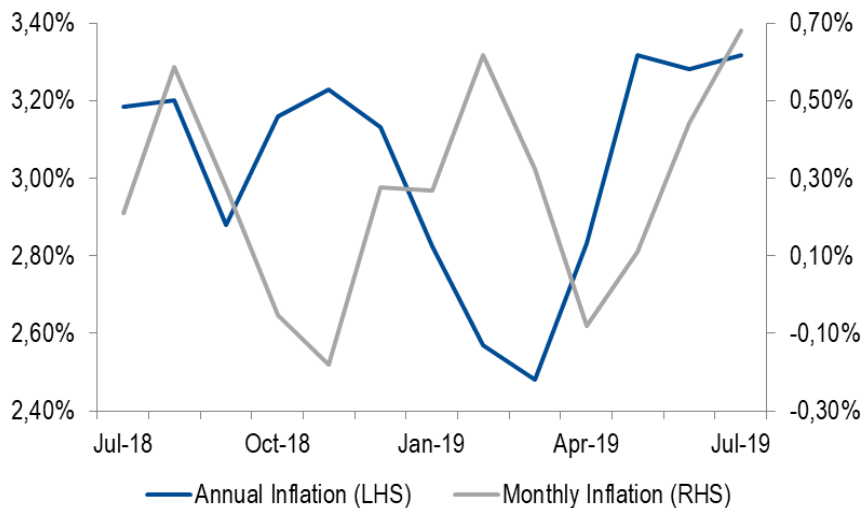


July's Inflation

No Rooms for August's Rate Cut

Macro Report | Aug 2, 2019

Indonesia Inflation



Source: Indonesia Statistics, NHKS research

Highlights of July's Inflation

July's inflation was at 0.31% m-m or 3.32% y-y a significant surge from June's 3.28% y-y, but it still fell shortly at BI's target range of 2.5%-4.5% and was subject to seasonal event adjustment to new academic year.

The foodstuff, clothes & education contributed at the biggest to July's level. The foodstuff inflation was at 0.80% m-m or 4.85% y-y as the price of chilies surged. Meanwhile, the clothes inflation was at 0.70% m-m or 4.19% y-y as the rising yellow's metal prices spurred the prices of jewelries higher. The education inflation was at 0.92% m-m or 3.30% y-y due to the hike in educational tuition during the new academic year.

A Slowdown in Core Inflation

July's core inflation was at 0.31% m-m or 3.18% y-y or slower than June's 3.25% y-y, but it was still falling at a safe level of above 3%. The main commodities contributing to the core inflation were gold jewelries and educational tuition. The keeping-in-check inflation lingered due to BI's concerted commitment to mapping inflation expectancy.

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Please consider important disclaimer

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Inflation Projection

We estimate August's inflation to decelerate along with Idul Adha and agricultural harvest season. We maintain target the 2019 inflation to fall shortly at the target range of 3.30%-3.40% due to the IH19 low inflation and stable global crude oil prices.

BI's Further Monetary Policies

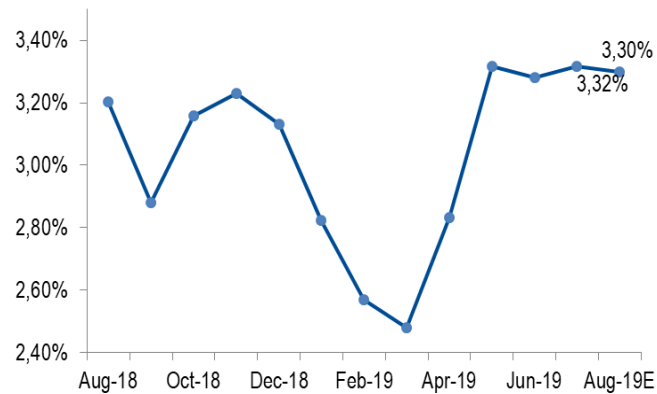
We are certain that BI will not cut its rate in August even though inflation on the actual basis is still at its target. But, another looser monetary policy in September is possible if only the Fed decides another accommodative monetary stance in September's FOMC.

Inflation Statistics

	Annual Inflation			Monthly Inflation		
	Jun'19	Jul'19	Aug'19E	Jun'19	Jul'19	Aug'19E
Headline Inflation	3.28%	3.32%	3.30%	0.55%	0.31%	-0.07%
Based on Expenditure						
Foodstuff	4.91%	4.85%	5.07%	1.63%	0.80%	-0.89%
Prepared food, Beverages, Cigarette and Tobacco	3.98%	3.77%	3.72%	0.59%	0.24%	0.30%
Housing, Water, Electricity, Gas and Fuel	2.42%	2.40%	2.32%	0.17%	0.14%	0.17%
Clothes	3.77%	4.19%	4.39%	0.81%	0.70%	0.13%
Health	3.02%	2.93%	2.94%	0.19%	0.18%	0.20%
Education, Recreation and Sport	3.21%	3.30%	3.23%	0.07%	0.92%	0.96%
Transportation, Communication and Financial Services	1.91%	2.21%	2.53%	-0.14%	-0.36%	-0.91%
Based on Components						
Core	3.25%	3.18%	3.17%	0.37%	0.33%	0.29%
Administered Price	1.91%	2.22%	2.00%	-0.09%	-0.36%	-0.27%
Volatile	4.91%	4.90%	5.10%	1.70%	0.89%	-1.06%

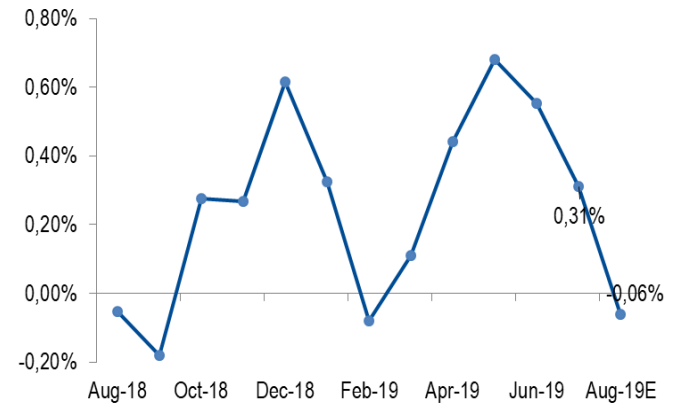
Source: Indonesia Statistics, NHKS Research

Monthly Inflation | Jun '18 - Jun '19E



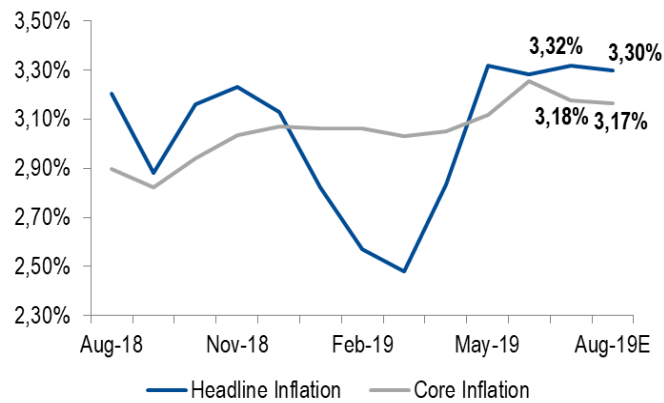
Source: Indonesia Statistics, NHKS Research

Annual Headline Inflation | Jun '18 - Jun '19E



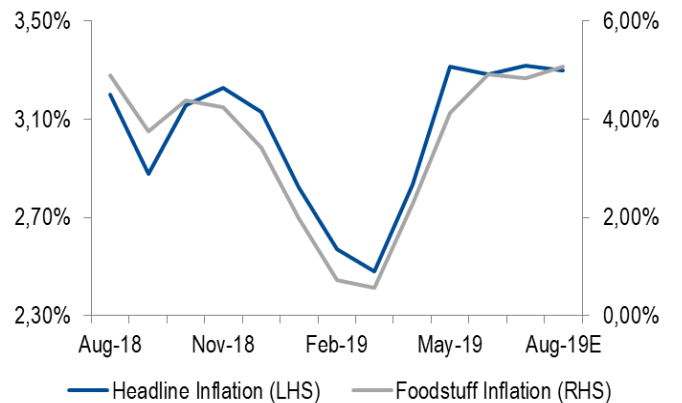
Source: Indonesia Statistics, NHKS Research

Annual Headline and Core Inflation | Jun '18 - Jun '19E



Source: Indonesia Statistics, NHKS research

Annual Headline and Foodstuff Inflation | Jun '18 - Jun '19E



Source: Indonesia Statistics, NHKS research

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