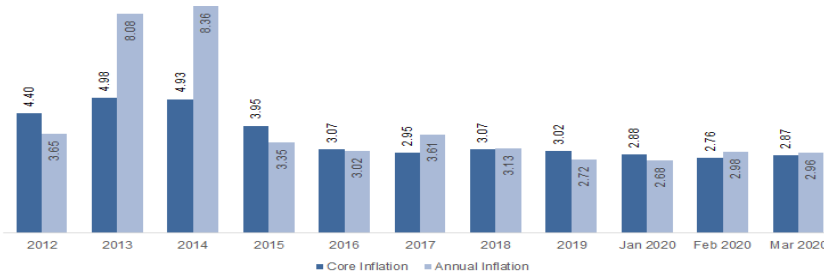


March Inflation

Gold's Buoyant Prices Contribute to March's Inflation

Indonesia's Inflation (%)



Source: Bloomberg, NHKSI Research

March's Inflation Stands at 0.10% MoM

Surging prices of gold and shallot contributed to March 2020 inflation of 0.10% MoM or 2.96% YoY. March's inflation was lower than Feb's 0.28% MoM or 2.98% YoY as the pandemic curtailed demands. Meanwhile, the stockpiles of garlic were relatively adequate. In March, 43 cities across Indonesia recorded inflation, with Lhokseumawe to record the highest inflation of 0.64% in contrast to Surabaya and Surakarta to respectively record the lowest inflation. Furthermore, 47 cities recorded deflation with the striking contrast in deflation recorded by Timika (1.91%) vs. Tangerang (0.01%). The personal care and other services categorized into 11 expenditure group to contribute 0.06% to March's inflation, while food, beverages, tobacco contributed 0.03% to March's inflation. It was the price of gold jewelry to give the largest contribution of 0.05% to March's inflation. In addition, prices of staple foodstuff and cigarettes also made up March's inflation.

Backstop Deals with Adequate Foodstuff ahead of Ramadan

March's benign inflation must have been balanced well by the Government's concerted commitment to maintaining adequate stockpiles of foodstuffs and smooth food distribution. Of note, Ramadan month will start in Mid-April of 2020, and prior to the about-to-come Ramadan the grim panic buying occurred in a number of cities across Indonesia as worried buyers emptied groceries aisles arranged with such staple foods as rice, sugar, cooking oil, eggs, and instant noodles and caused temporary lack of foodstuff. Modern retailers grappled with the foodstuff adversity and needed one to two days of distributing foodstuff from warehouses to grocery aisles. In light of the fact, the Government should firmly control the food supply and distribution so that dramatic surges in prices are avoidable. Indeed, the sudden market inspection is a backstop to deal with stable prices of foodstuff.

Social Distancing vs. Lockdown

Another mandatory regulation to affect subsequent inflation in social distancing whose economic impacts are not as deteriorating as the lockdown. The mandatory social distancing in Jakarta, Solo, and East Kalimantan causes retailers' outlook to be pretty grim as the public avoid crowded shopping centers. That COVID-19 containment decrease the number of buyers in the shopping centers and restaurants. Of note, shopping centers and restaurants are not subject to temporary closure. Lockdown to give greater negative impacts on the economy as it hampers imported or non-imported goods distribution amid the high demands for goods in April ahead of Ramadan. Thus, the mandatory lockdown has greater impacts on inflation.

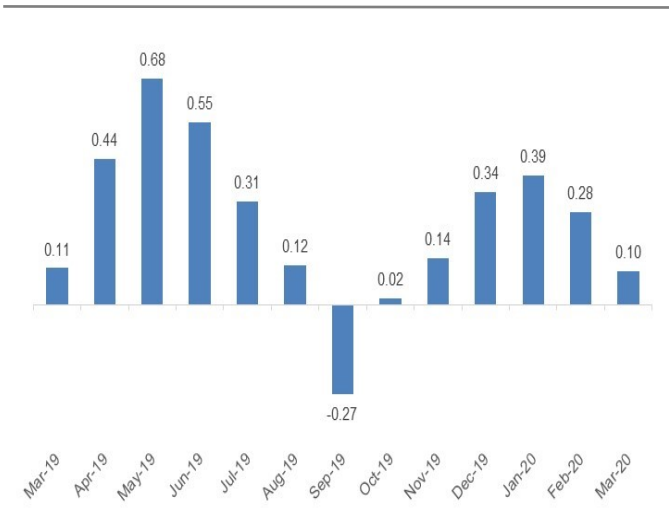
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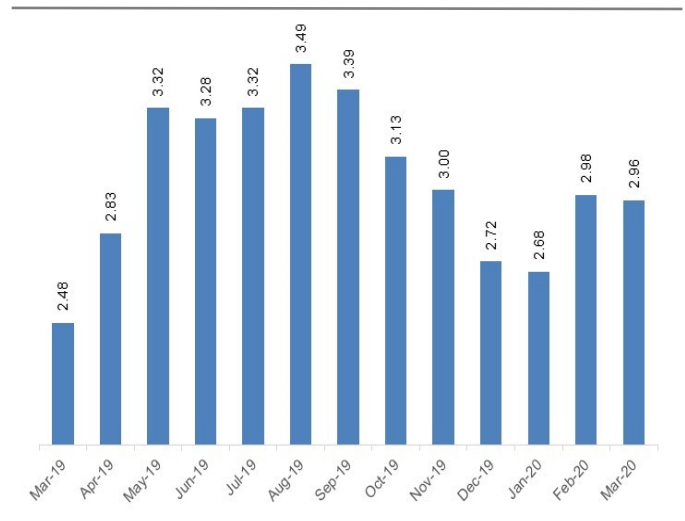
arief.machrus@nhsec.co.id

Please consider important disclaimer

Monthly Inflation (%) | Mar. 19 - Mar. 20



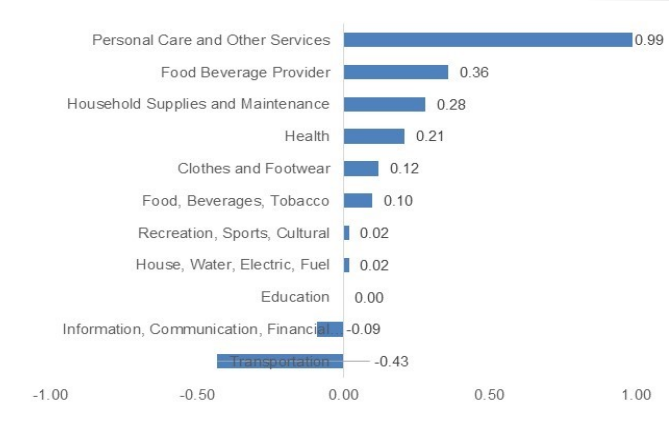
Annual Headline Inflation (%) | Mar. 19 - Mar. 20



Source: Bloomberg, NHKSI Research

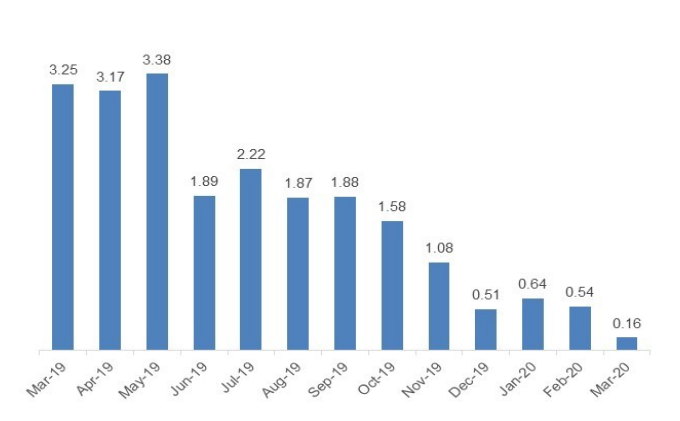
Source: Bloomberg, NHKSI Research

Inflation Rate Based on Expenditure Group (%)



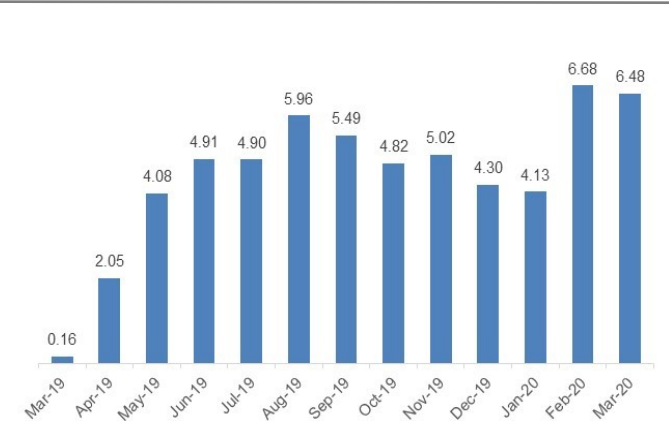
Source: Indonesia Statistics, NHKSI Research

Administered Price (%) | Mar. 19 - Mar. 20



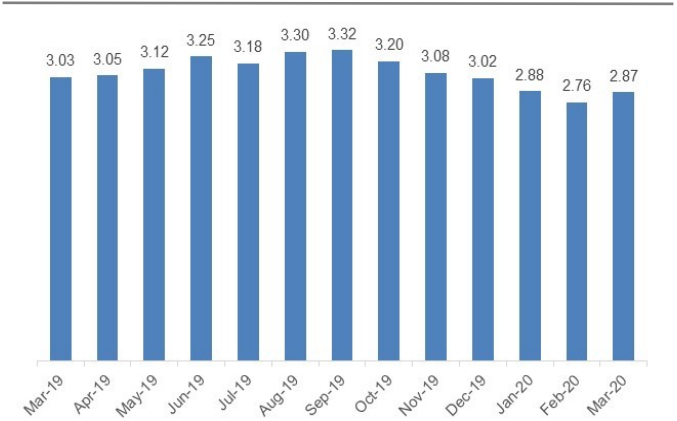
Source: Bloomberg, NHKSI Research

Volatile Price (%) | Mar. 19 - Mar. 20



Source: Bloomberg, NHKSI Research

Core CPI (%) | Mar. 19 - Mar. 20



Source: Bloomberg, NHKSI Research

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