

Inflation: Below Consensus

Lower than Expected

In July 2011 inflation by 0.67% MoM or 1.74% Ytd or 4.61% YoY. The core component in July 2011 had an inflation of 0.42% MoM or 2.34% YtD or 4.55% YoY. All of these number below consensus surveyed by bloomberg.

July Inflation(%) 2011 vs Consensus		
	Consensus	Actual
Headline (MoM)	0.85	0.67
Headline (YoY)	4.80	4.61
Core (YoY)	4.70	4.55

Source: BPS & Bloomberg

Based on expenditure group

Inflation occurs because of the price increases reflected by the rise in foodstuff index 1.84%; food, beverages, cigarette and tobacco 0.42%; housing, water, electricity, gas and fuel 0.19%; clothing 0.62%; health group 0.27%; education, recreation and sport 0.97% and transport, communication and financial services 0.17%.

Some commodities that price increases in July 2011 include: rice, chicken meat, eggs, gold jewelry, air freight rates, fresh fish, potatoes, cigarette filters, high school tuition, beef, preserved fish, cucumbers, white cabbage / cabbage, oranges, red onion, rice with side dishes, clove cigarettes, the rate contract houses, cement, home rental rates, money elementary school, junior high school money tuition and college / university. While commodities are price declines are: garlic, cayenne pepper, mustard greens, tomatoes, red peppers, and cooking oil.

Contribution July'11 Inflation Based on Expenditure Group	
Expenditure Group	Contribution (%)
Food	0.41
Prepared Food, Beverages, Tobacco	0.08
Housing	0.04
Clothing	0.04
Health	0.01
Education, Recreation and Sports	0.06
Transportation, Communication and Finance	0.03

Source: BPS

Foodstuff Dominated Inflation

Dominant contribution giving by food group contributed to inflation of 0.41%. Rice 0.22%, 0.13% chicken meat; eggs 0.06%; fresh fish and potatoes respectively 0.02%; beef, preserved fish, cucumbers, white cabbage / cabbage, orange and red onion 0.01% respectively.

July Core Inflation(%) 2010 vs 2011		
	2010	2011
MoM	0.49	0.42
YtD	2.07	2.34
YoY	4.15	4.55

Source: BPS

Unchanged Policy Rates

When examined as YtD, core inflation in July this year is greater than last year, as well as YoY. Even so, monthly core inflation this July (MoM) is smaller than last year, and a decrease compared to last month at 4.63% thus giving the central bank scope to leave interest rates unchanged this month. But, Bank Indonesia likely to be hiking its policy rate before the year-end because of high consumption growth has continued to provide the underlying support for core inflation.

PT Trimegah Securities Tbk
18thFl, Artha Graha Building
Jl. Jend. Sudirman Kav. 52-53
Jakarta 12190, INDONESIA
Tel : (6221) 2924-9088 Fax : (6221) 2924-9163

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