



	Oct-17 (Actual)	Oct-17 (Fcast)*	Oct-17 (Cons.)	Sep-17
Headline CPI (% chg y-o-y)	3.58	3.68	3.68	3.72
Headline CPI (% chg m-o-m)	0.01	0.10	0.10	0.13
Headline CPI (% chg y-t-d)	2.67	2.76	2.76	2.66
Core CPI (% chg y-o-y)	3.07	3.04	3.08	3.00

Source: Bloomberg, BPS, CEIC, *Danamon Estimates

Economic Highlights

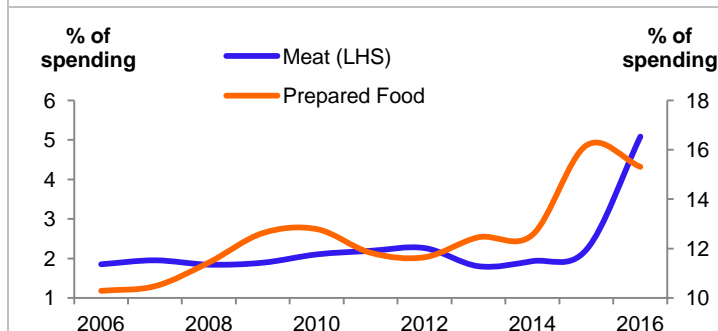
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- The statistics office announced a **mere inflation of 0.01% mom** for the month of Oct-17. Deflation in staple food prices continues to be deeper than last year. In fact, the last time volatile food prices inflated this low was back in 2004, yet what has happened this year is intentional. With 2 months to go, we think efforts to suppress food prices by the government in compensating for higher administered energy costs may bear fruit.
- On a separate report, the central statistic bureau had also published data on consumers' average monthly spending for foods and non-food products. From here we can trace the shift of consumer behavior and spending pattern. Specifically for food purchases, we highlight that **there's a significant shift from home cooking to prepared meals** -i.e. dining out or take outs-. Back in 2012, the weighting between raw food and prepared food to total inflation were 19% and 16%, respectively. We think this may converge on the next re-basing of CPI, which they usually do every 5 years.
- Another note worth pointing out is that during times of economic boom (2010-2012), consumers can allocate more of their spending to non-food items. But during slow times (2014-2016), **spending allocation for food had took over once again**. Nonetheless, there were 2 areas in the non-food segment that consumers could not avert to pay-up, which are tax/insurance and housing items (*please see Chart 2*).
- Policy implication?** We do not see any imminent risks in the near term that could alter the course of interest rate. Our call is for **policy rates to be on hold at the next MPC meeting** (16 November). Policymakers and market players will be watching for the outcome of the next Federal Reserve's Chairman and Bank of England's interest rate decision, both within this week.

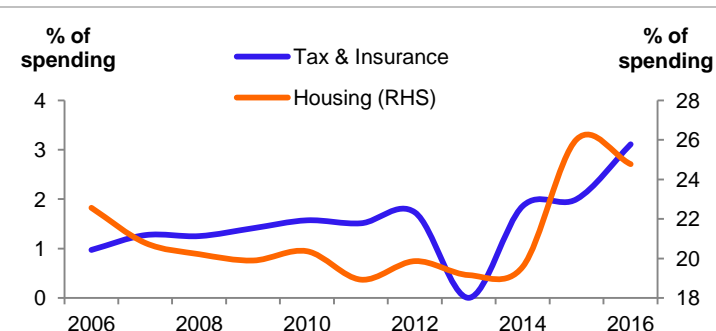
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Chart 1. Average Spending per Capita for Food



Source: BPS

Chart 2. Average Spending per Capita for Non-Food



Source: BPS

Indonesia: Selected Economic Indicators

	2013	2014	2015	2016	2017E
National Accounts					
Real GDP (% y-o-y)	5.6	5.0	4.9	5.0	5.0
Domestic demand ex. inventory (% y-o-y)	5.0	5.4	3.9	5.0	4.9
Real Consumption: Private (% y-o-y)	5.4	5.2	5.0	5.0	4.9
Real Gross Fixed Capital Formation (% y-o-y)	5.0	4.6	5.0	4.5	5.2
GDP (USD bn) — nominal	913	890	861	932	1,005
GDP per capita (USD) — nominal	3,648	3,529	3,371	3,604	3,838
Open Unemployment Rate (%)	6.3	5.9	6.2	5.6	5.5
External Sector					
Exports (% y-o-y, BoP Basis)	-2.8	-3.7	-15.4	-3.1	7.0
Imports (% y-o-y, BoP Basis)	-1.3	-4.5	-19.7	-4.5	6.6
Trade balance (USD bn, BoP Basis)	5.8	6.9	13.3	15.4	15.2
Current account (% of GDP)	-3.7	-3.2	-2.1	-1.8	-1.8
Central government debt (% of GDP)	21.3	23.5	26.6	27.7	30.2
International Reserves –IRFCL (USD bn)	99.4	111.9	105.9	116.4	114.0
Reserve Cover (Months of imports & ext. debt)	5.4	6.5	7.4	8.4	8.4
Currency/US\$ (Year-end)	12,189	12,440	13,795	13,436	13,430
Currency/US\$ (Average)	10,428	11,900	13,392	13,308	13,349
Other					
BI policy rate (% year end)	7.50	7.75	7.50	6.50*	N/A
BI 7-Day Reverse Repo rate (% year end)	N/A	N/A	6.25	4.75	4.25
Consumer prices (% year end)	8.08	8.36	3.35	3.02	3.81
Fiscal balance (% of GDP; FY)	-2.24	-2.26	-2.70	-2.46	-2.60
S&P's Rating – FCY	BB+	BB+	BB+	BB+	BBB-

Source: CEIC, E = Danamon Estimates, *) Up to August 2016

Economic and Market Research

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