

Lower Than Expected Nov '22 Inflation

Consumer Price Inflation (CPI or headline) came lower than expected in Nov '22, only reached 0.09% (mtm) or 5.42% (yoy). This shows the dissipating risk for potential secondary inflationary effect from the subsidized fuel hike in last Sep '22. This lower inflationary trend, followed by an increase in the Farmers Exchange Rate (+0.50% mom) and coupled with farm laborers' as well as construction workers' nominal wages and construction workers' nominal wages (+0.25% mom and +0.18% mom, respectively), **will encourage an increase in people's purchasing power in the remainder of 2022** and will boost the contribution of domestic household consumption expenditure in 4Q22 (vs. 51.91% in 3Q22).

We also view that the decline in consumer prices is also driven by the decline in producer price inflation (WPI) which fell in two consecutive months (Oct '22: 5.80%; Nov '22: 5.74%) after reaching its peak on last Sep '22 (6.04%, yoy). The stable global commodity prices and reduced domestic and global trade barriers are several reasons behind the declining trend of WPI, as indicated by the decline in the global Baltic Dry Index and Indonesia's WPI Index. As a results, **we expect further decrease in Dec '22 inflation figure following the pass-through effect of declining producer prices growth in recent months.**

Apart from that, the decreasing trend of inflation (both CPI and WPI) as seen in Nov '22 has made Indonesia's real yield to be remain attractive at 194.4bps (Vs. -372.00bps in the US) **which will encourage capital inflow** to both bonds (SBN) and equity market (JCI).

However, the possibility of an increase on the demand side amid the Christmas-New Year seasonal momentum might push inflation in the coming December, which will largely be addressed by the ample stocks of food as well as the improvement in distribution sides that will keep inflation at bay. In addition, the trend of **appreciation in the Rupiah**, which we expect to occur in December, will **keep the risk of imported inflation abate.**

Fig 1. CPI (Headline) Inflation

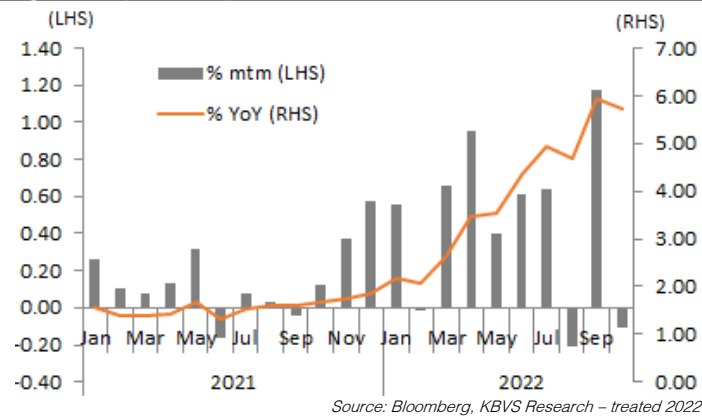


Fig 2. WPI (Wholesale) Inflation

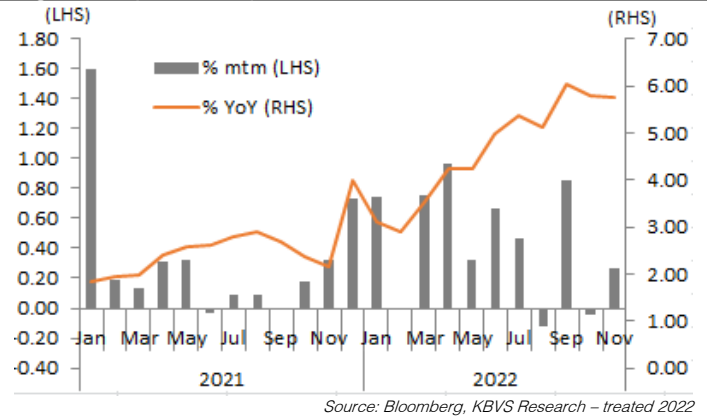


Fig 3. Real Yield US vs Indonesia (In BPS)

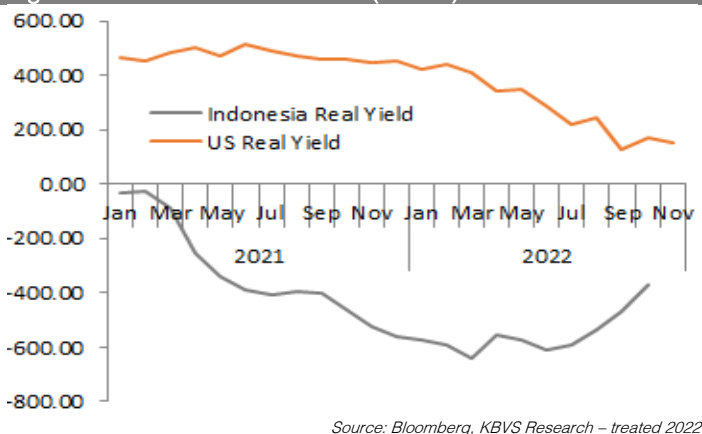
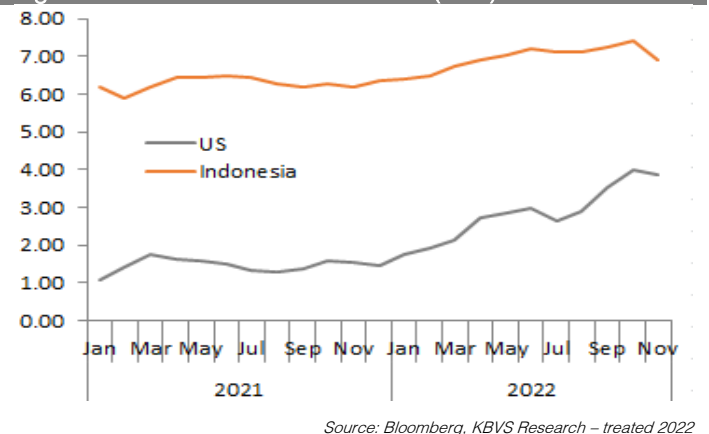


Fig 4. Yield Of 10Yr Government Bond (In %)



Indicators	Index		Inflation	
	Latest	M-1	MtM	YoY
Consumer Price Index (CPI)	112.85	112.75	0.09%	5.42%
Food, Beverages, and Tobacco	116.00	116.00	0.00%	5.87%
Clothing and Footwear	108.38	108.25	0.12%	1.53%
Housing, Water, Electricity, and Household Fuels	106.87	106.79	0.07%	3.24%
Equipment, Tools, and Routine Household Maintenance	113.73	113.47	0.23%	4.96%
Health	112.59	112.36	0.20%	2.90%
Transport	120.07	120.06	0.01%	15.45%
Communication and Financial Services	99.70	99.68	0.02%	-0.40%
Recreation, Sport and Culture	108.01	107.77	0.22%	2.90%
Education Services	112.44	112.42	0.02%	2.76%
Food and Beverages Services/Restaurants	115.28	115.17	0.10%	4.59%
Personal Care and Other Services	119.93	119.41	0.44%	5.48%
Core inflation	110.97	110.80	0.15%	3.30%
Administered Price	118.53	118.37	0.14%	13.01%
Volatile Food	114.09	114.34	-0.22%	5.70%
Wholesale Price Index (WPI)	113.02	112.72	0.27%	5.74%
Agriculture	103.05	102.62	0.42%	2.56%
Mining and Quarrying	122.08	121.63	0.37%	10.36%
Manufacturing	115.36	115.09	0.23%	6.42%
Farmer Exchange Rate	107.81	107.27	0.50%	0.59%
Farmers Price Received Index	122.98	122.18	0.65%	5.81%
Farmers Price Paid Index	114.07	113.90	0.15%	5.23%
Labor Daily Nominal Wage				
Farm laborers (in Rp)	59,096	58,946	0.25%	3.53%
Construction workers, not a foremen (in Rp)	94,034	93,865	0.18%	2.97%

Sources: BPS, KBVS Research - treated (2022)

No.	Commodity	Price (Rp per Kg)					Monthly Price Change (% , mtm)
		31/10/2022	10/11/2022	18/11/2022	21/11/2022	30/11/2022	
I	Rice	12,200	12,200	12,250	12,250	12,300	0.82%
1	Lower Quality Rice I	11,100	11,150	11,150	11,150	11,200	0.90%
2	Lower Quality Rice II	10,750	10,800	10,800	10,850	10,900	1.40%
3	Medium Quality Rice I	12,200	12,250	12,300	12,300	12,350	1.23%
4	Medium Quality Rice II	12,050	12,050	12,100	12,100	12,150	0.83%
5	Super Quality Rice I	13,500	13,500	13,550	13,600	13,650	1.11%
6	Super Quality Rice II	13,150	13,200	13,200	13,250	13,300	1.14%
II	Chicken meat	33,950	34,200	34,950	35,100	35,200	3.68%
1	Fresh Race Chicken Meat	33,950	34,200	34,950	35,100	35,200	3.68%
III	Beef	133,550	133,700	133,600	133,600	133,600	0.04%
1	Quality 1 Beef	137,150	137,300	137,250	137,250	137,300	0.11%
2	Quality 2 Beef	127,500	127,750	127,600	127,600	127,550	0.04%
IV	Chicken eggs	28,400	28,600	28,950	29,050	29,950	5.46%
1	Fresh Chicken Eggs	28,400	28,600	28,950	29,050	29,950	5.46%
V	Red onion	35,700	36,850	37,800	37,800	37,650	5.46%
1	Medium Shallot	35,700	36,850	37,800	37,800	37,650	5.46%
VI	Garlic	27,900	27,850	27,750	27,750	27,600	-1.08%
1	Medium Size Garlic	27,900	27,850	27,750	27,750	27,600	-1.08%
VII	Red chili pepper	39,700	36,900	36,450	37,200	36,750	-7.43%
1	Large Red Chili	40,400	38,400	37,950	38,500	37,700	-6.68%
2	Curly Red Chili	39,850	36,600	36,000	36,850	36,550	-8.28%
VIII	Cayenne pepper	44,400	43,100	42,750	44,050	44,650	0.56%
1	Green Cayenne Pepper	38,650	37,800	37,750	38,400	39,550	2.33%
2	Red Cayenne Pepper	49,150	47,150	46,300	48,200	48,300	-1.73%
IX	Cooking oil	19,050	19,150	19,150	19,150	19,150	0.52%
1	Bulk Cooking Oil	14,550	14,700	14,800	14,800	14,850	2.06%
2	Branded Packaging Cooking Oil 1	21,600	21,750	21,700	21,700	21,650	0.23%
3	Branded Packaging Cooking Oil 2	20,000	20,050	20,000	20,000	20,050	0.25%
X	Sugar	15,050	15,050	15,050	15,100	15,050	0.00%
1	Premium Quality Sugar	15,900	15,900	15,900	15,900	15,850	-0.31%
2	Local Sugar	14,400	14,350	14,400	14,400	14,400	0.00%

Sources: BPS, KBVS Research - treated (2022)

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KB Valbury Sekuritas

Headquarters

Sahid Sudirman Center Lantai 41 Unit AC
Jl. Jenderal Sudirman No. 86
Kelurahan Karet Tengsin, Kecamatan Tanah Abang
Jakarta Pusat 10220, Indonesia
T +62 21 250 98 300
F +62 21 255 33 778

Branch Office

Jakarta - Kelapa Gading

Rukan Plaza Pasifik
Jl. Raya Boulevard Barat Blok A1 No. 10
Jakarta 11620
T +62 21 - 29451577

Jakarta - Puri Indah

Rukan Grand Aries Niaga
Blok E.1 No. 1 V Jl. Taman Aries, Kembangan,
Jakarta 14450
T +62 21 - 22542390
F +62 21 - 29264310

Jakarta - Pluit

Jl. Pluit Putra Raya No. 2
Jakarta 14240
T +62 21 - 29264300
F +62 21 - 22542391

Bandung

Jl. HOS Cokroaminoto No. 82
Bandung 40171
T +62 22 - 87255888
T +62 22 - 87255800
F +62 22 - 87255811

Semarang

Candi Plaza Building Lt. Dasar
Jl. Sultan Agung No. 90-90A
Semarang 50252
T +62 24 - 3521888
T +62 24 - 8501122
F +62 24 - 8507450

Yogyakarta

Jl. Magelang KM 5.5 no. 75
Yogyakarta 55284
T +62 274 - 4469500
T +62 274 - 6231111
F +62 274 - 623222

Galeri Investasi

Jakarta

Citra Garden 6 Ruko Sixth Avenue
Blok J-1 A/18 Cengkareng,
Jakarta Barat 11820
T +62 21 52392181

Semarang

Jl. MT Haryono 637 Semarang
T +62 24 8415195

Solo

Jl. Ronggowarsito No. 34
Surakarta 57118

Surabaya

Pakuwon Center Tunjungan Plaza Lantai 21
Jl. Embong Malang No.1
Surabaya 60261
T +62 31 - 2955777
T +62 31 - 2955788
F +62 31 - 2955716

Solo

Jl. Ronggo Warsito no. 34
Solo 57118
T +62 271 632888
F +62 271 656988

Malang

Jl. Pahlawan Trip no. 7
Malang 65112
T +62 341 - 585888
F +62 341 - 560056

Denpasar

Komplek Ibis Styles Hotel
Jl. Teuku Umar No. 177
Denpasar Bali 80114
T +62 361 - 255888
T +62 361 - 225229
F +62 361 - 225339

Banjarmasin

Jl. Gatot Subroto No.33 Kel. Kebun Bunga
Kec. Banjarmasin Timur
Kalimantan Selatan 70235
T +62 511 - 3265918
F +62 511 - 3253432

Manado

Kawasan Megamas, Ruko Megaprofit
Blok IF2 No. 38 Manado. 95254
T +62 431 7917 836
F +62 431 880 2129

Padang

Jl. Kampung Nias II no. 10,
Kel. Belakang Pondok,
Kec. Padang Selatan
T +62 751 8955747

Salatiga

Jl. Diponegoro No. 68, Rt. 007 Rw. 011,
Kel. Salatiga, Kec. Sidorejo 50711
T +62 298 313007

Medan

Komplek Jati Junction No. P5-5A
Jl. Perintis Kemerdekaan
Medan 20218
T +62 61 - 88816222
F 62 61 - 88816333

Pekanbaru

Jl. Tuanku Tambusai
Komplek CNN Blok A No.3 Pekanbaru 28291
T +62 761 - 839393
Galeri Investasi

Padang

Jl. Kampung Nias II no. 10,
Kel. Belakang Pondok,
Kec. Padang Selatan
T +62 751 8955747

Palembang

Komp. PTC Mall Blok I No. 7 Jl. R. Sukamto
Kel. 8 Ilir Kec. Ilir Timur II
Palembang 30114
T 07115700281

Makassar

Kompleks RUKO Citraland City Losari Makassar,
Business Park, Blok B2 No. 09
Jl. Citraland Boulevard
Kel. Maccini Sombala, Kec. Tamalate
Makassar, Sulawesi Selatan 90111
T +62 411 6000818

Galeri Investasi BEI - KBVS

Yogyakarta
Universitas Kristen Duta Wacana
T +62 274 - 544032

Manado
Universitas Prisma Manado
T 0431 8800850

Jakarta
Universitas Gunadarma
T +62 21 - 8727541