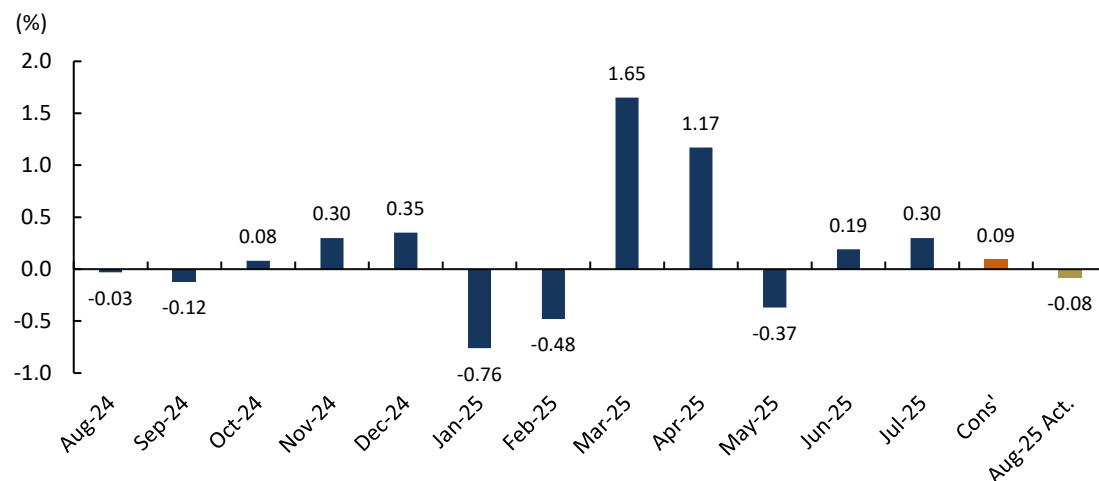


# Indonesia August Inflation: 1 September 2025

- Indonesia's inflation pulse softened further in August, reinforcing the message of durable price stability just as growth signals turn the corner. Headline CPI eased to 2.31% year-on-year in August 2025 (from 2.37% in July), undershooting SSI's 2.52% forecast. Core inflation cooled to eleven-month low of 2.17% (2.32% prior), pointing to mild underlying demand pressures and subdued pass-through. CPI slipped 0.08% month-on-month, reversing July's 0.3% rise as food prices normalized and transport costs steadied. The data keeps inflation comfortably within Bank Indonesia's 2025 target band of 1.5%–3.5%.
- The combination of cooling core pressures and negative monthly print validates BI's cumulative 50 bps easing across July–August that brought the policy rate to 5.00%. With inflation now tracking below our prior path, we keep an easing bias in our SSI base case: conditional on FX stability and contained imported inflation, there is room for further 25 bps cut in late Q4 or early 2026. BI can afford to prioritize growth support while preserving real yield buffers, especially as food supply measures and administered-price management help anchor expectations.
- Broader macro mix has turned more constructive. The S&P Global Manufacturing PMI rebounded to expansion in August, and the external sector continues to provide a cushion: Indonesia has printed three straight monthly trade surpluses above USD 4bn (USD 4.18bn in July) with some front-loading easing after the U.S.–Indonesia reciprocal tariff deal settled at 19% (from 32% earlier). Together, softer inflation, improving factory momentum, and still-solid trade cushion argue for a gentle re-acceleration into 2H25 while keeping macro-financial risks contained.
- Softer core and negative m/m data are duration-friendly. We prefer adding duration on sell-offs, concentrating exposure in 5–10Y “belly” where carry-roll is attractive and the curve can bull-steepen if markets price additional cuts. Front-end IRS receivers remain compelling as inflation risk premium compresses, though we would tactically pare if USD strength revives imported-inflation concerns or term premium rises globally. For bond supply calendar into Q4, lower inflation reduces the hurdle for auction demand from both locals and real-money foreigners.
- Going forward, with inflation anchored, BI retains optionality to deliver one additional, data-dependent cut while preserving Indonesia's real-rate advantage. For markets, that mix argues for a constructive stance on IndoGB duration (overweight belly), a neutral-to-positive view on the rupiah on dips, and selective risk-on in credit and equities as price stability, improving PMI, and a still-healthy trade cushion set the tone for H2.

## Inflation MoM



## Inflation Based on Spending Category YoY

Number	Details	Inflation	Contribution to Inflation
	<b>Headline Inflation</b>	<b>2.31</b>	<b>2.31</b>
1	Food, Beverages and Tobacco	3.99	1.14
2	Personal care and other services	8.66	0.56
3	Housing, water, electricity and household fuels	1.65	0.26
4	Food beverages services/restaurants	1.85	0.19
5	Education services	1.43	0.08
6	Health	1.91	0.06
7	Clothing and Footwear	0.81	0.04
8	Furnishings, household equipment and routine household maintenance	0.42	0.02
9	Recreation, sport and culture	1.10	0.02
10	Information, communication and financial services	-0.33	-0.02
11	Transportation	-0.29	-0.04

## Inflation YoY

