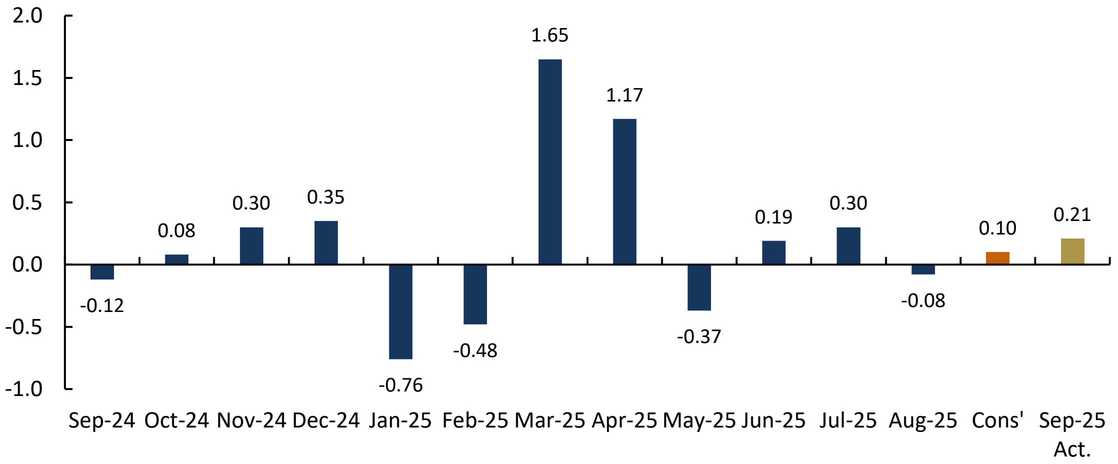
Indonesia September Inflation: 1 October 2025

- Indonesia's annual inflation rate accelerated to 2.65% in Sep-25, rising from 2.31% in August and marking the highest pace since May-24. While the increase remains within Bank Indonesia's target range of 1.5% to 3.5%, the figure exceeded SSI's forecast of 2.4%, underscoring a stronger-than-expected pick up in price pressures, largely driven by food prices, which rose 5.01% compared with 3.99% in August, reflecting seasonal factors and supply-side pressures. Health costs also edged higher to 2.01%, while other categories such as education, clothing, accommodation and restaurants, and furnishings saw softer price growth. Meanwhile, housing inflation remained steady at 1.64%, and declines in transport and communication costs moderated, contributing less to overall disinflation.
- Core inflation, which excludes volatile and administered prices, inched up slightly to 2.19% from 2.17% in August, indicating that underlying demand-side pressures remain contained. On a monthly basis, the Consumer Price Index (CPI) rose 0.21%, beating market expectations of 0.13% increase and reversing the 0.8% decline in August—the first monthly drop in three months. This stronger-than-expected monthly rebound points to sticky food inflation and some pass-through effects from higher input costs, even as other expenditure categories remain subdued.
- From a market perspective, the September inflation print has important implications. The upward surprise relative to SSI's forecast may prompt investors to reassess the pace of Bank Indonesia's easing cycle. Although inflation is still well within target, the higher-than-expected outcome reinforces the central bank's cautious stance, particularly with food prices showing volatility and global uncertainties lingering. For the bond market, this suggests that BI may opt for a gradual approach to rate cuts, maintaining a vigilant stance to safeguard price stability. In the currency market, the IDR could find some near-term support from expectations of prudence in policy settings, though global yield movements and U.S. monetary conditions will continue to exert significant influence.
- Looking ahead, CPI is likely to hover in the upper half of BI's target range through 4Q25 with risks skewed to the upside, particularly given higher imported inflation on the back of the weak IDR. Food prices remain the key variable, vulnerable to supply disruptions and weather-related factors. Imported inflation could also re-emerge if global energy prices climb or if the IDR were to weaken further. On the other hand, subdued transport and communication costs should provide some cushion to overall inflation. SSI maintains its projection that average inflation in 2025 will settle around 2.5% to 2.7%, which remains broadly supportive of accommodative monetary policy.

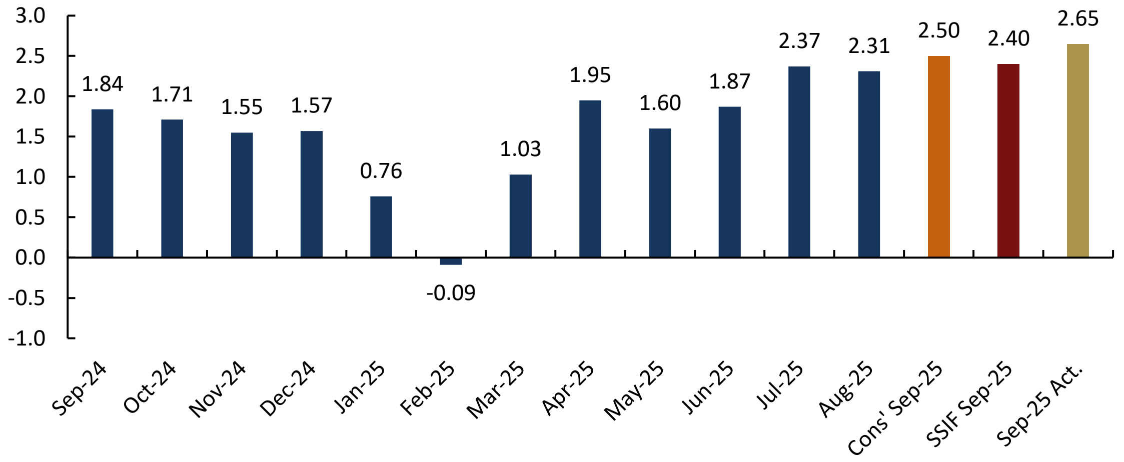
Inflation Based on Spending Category YoY

Number	Details	Inflation	Contribution to Inflation
	Headline Inflation	**2.65**	**2.65**
1	Food, Beverages and Tobacco	5.01	1.43
2	Personal care and other services	9.59	0.62
3	Housing, water, electricity and household fuels	1.64	0.26
4	Food beverages services/restaurants	1.80	0.18
5	Health	2.01	0.06
6	Education services	1.15	0.06
7	Clothing and Footwear	0.79	0.04
8	Furnishings, household equipment and routine household maintenance	0.30	0.02
9	Recreaction, sport and culture	1.07	0.02
10	Transportation	-0.15	-0.02
11	Information, communication and financial services	-0.31	-0.02

Inflation MoM



Inflation YoY



Sources: Bloomberg, BPS, SSI Research