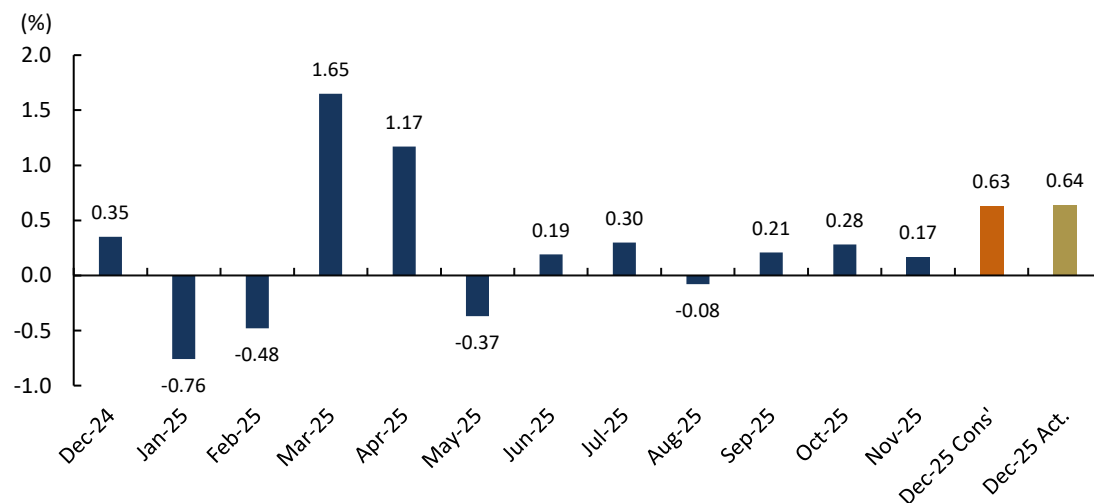


Indonesia December Inflation: 5 January 2026

- Indonesia's headline inflation firmed up to 2.92% YoY in December 2025, rising from 2.72% in November and marking the highest reading since April 2024. While the print remains comfortably within Bank Indonesia's target corridor of 1.5%–3.5%, it came above SSI's forecast of 2.75%, reflecting stronger-than-expected year-end price pressures, exacerbated by IDR weakness. On a monthly basis, consumer prices rose 0.64%, a sharp acceleration from 0.17% in November and the strongest increase in eight months, underscoring the seasonal intensity of December demand.
- The uptick in inflation was primarily driven by food prices, which rose at the fastest pace in three months (4.58% YoY), consistent with year-end consumption, logistical frictions, and weather-related supply constraints. Price pressures also broadened modestly into housing, transport, and recreation, signalling that demand-side dynamics were not confined to volatile components alone. In contrast, several categories showed easing momentum—most notably health, furnishings, accommodation and restaurants, and education—suggesting that underlying inflation pressures remain contained and uneven across sectors.
- Core inflation edged up to 2.38%, the highest since May, after holding steady for two consecutive months. While the increase points to a gradual normalization of underlying price dynamics alongside resilient domestic demand, the level remains benign and well-anchored. Importantly, the persistent deflation in communication costs continues to act as a structural buffer, helping offset pressures from food and transport. Taken together, the composition of inflation suggests a seasonal and demand-related firming rather than a shift toward entrenched price instability.
- Looking ahead, inflation is likely to remain mixed, moderating in early 2026 as seasonal effects fade, but may rise again in the lead up to Chinese New Year and Lebaran in February-March on food supply volatilities. However, core inflation should remain relatively stable within the mid-2% range, supported by contained wage pressures and assuming the IDR can be capped below the 17k level. From a policy perspective, the December print—despite being above SSI's forecast—does not materially alter the inflation outlook nor threaten target credibility. This keeps the door open for Bank Indonesia to maintain a pro-growth bias, with policy decisions likely to remain data-dependent and calibrated to IDR stability, capital flows, and the evolving global rate environment rather than short-term inflation noise.

Inflation MoM



Inflation Based on Spending Category YoY

Number	Details	Inflation	Contribution to Inflation
	Headline Inflation	2.92	2.92
1	Food, Beverages and Tobacco	4.58	1.33
2	Personal care and other services	13.33	0.87
3	Housing, water, electricity and household fuels	1.62	0.26
4	Transportation	1.23	0.15
5	Food beverages services/restaurants	1.46	0.15
6	Education services	1.22	0.07
7	Health	1.83	0.05
8	Clothing and Footwear	0.66	0.03
9	Recreation, sport and culture	1.17	0.02
10	Furnishings, household equipment and routine household maintenance	0.20	0.01
11	Information, communication and financial services	-0.28	-0.02

Inflation YoY

