

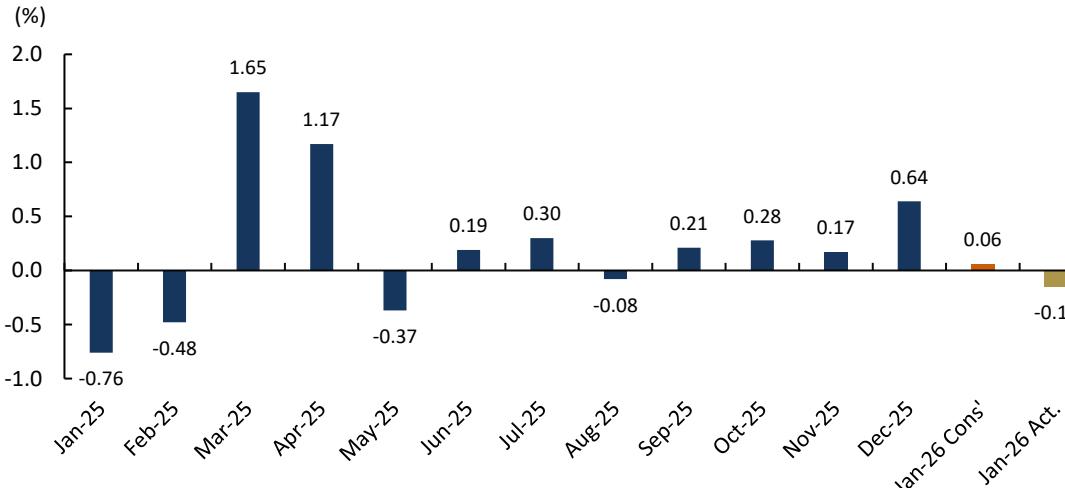
Indonesia January Inflation: 2 February 2026

- Indonesia's Jan-26 inflation confirmed a renewed uptick in headline price pressures, with annual inflation rising to 3.55% YoY from 2.92% in December, the highest level since May-23. While the figure came slightly below market expectations of 3.8%, it edged just above the upper bound of the BI's target range, broadly aligned with SSI's projection of c. 3.5%, reinforcing the view that early-year inflation would re-accelerate given recent IDR weakness.
- The surge was driven by a sharp spike in dollar-linked housing with inflation of 11.93%, partly reflecting the normalization of electricity tariffs following the expiry of government subsidies. This administered-price adjustment explains most of the headline jump and underscores that January's inflation shock is largely policy and currency induced rather than demand-driven. In contrast, price momentum across most consumer categories softened. Food inflation eased materially, while transport, recreation, education, restaurants, health, and household furnishings all recorded slower increases, pointing to contained underlying consumption pressures.
- At the same time, monthly inflation fell 0.15%, marking the first contraction since August and signalling that headline acceleration is weighed down by domestic demand despite upcoming CNY and Lebaran festivities. That said, core inflation climbed to 2.45%, the strongest in nine months, likely to be impacted by sky rocketing gold prices and exacerbated by IDR depreciation.
- Looking ahead, inflation is likely to remain temporarily elevated in 1Q26, supported by residual administered-price effects, seasonal food dynamics and holiday festivities. However, the broader trend still points toward normalization post the Idul Fitri effect in 2Q26 and beyond, given challenging domestic demand outlook resulting in the current overshoot above the target band to be short-lived rather than structural.
- From a policy standpoint, the data reinforces a cautious but steady approach from BI. The headline spike limits near-term room for further easing, yet the absence of broad-based inflation pressures argues strongly against any tightening cycle. Monetary policy is therefore likely to remain on hold, with currency stability and global financial conditions continuing to play larger roles in decision-making than domestic inflation alone. Therefore, barring further subsidy adjustments or extreme food shocks, inflation should drift back toward the midpoint of the target range in coming months.

Inflation Based on Spending Category YoY

Number	Details	Inflation	Contribution to Inflation
	Headline Inflation	3.55	3.55
1	Housing, water, electricity and household fuels	11.93	1.72
2	Personal care and other services	15.22	1.00
3	Food, Beverages and Tobacco	1.54	0.46
4	Food beverages services/restaurants	1.36	0.14
5	Transportation	0.58	0.07
6	Education services	1.11	0.06
7	Health	1.62	0.05
8	Clothing and Footwear	0.56	0.03
9	Recreation, sport and culture	1.05	0.02
10	Furnishings, household equipment and routine household maintenance	0.16	0.01
11	Information, communication and financial services	-0.19	-0.01

Inflation MoM



Inflation YoY

