

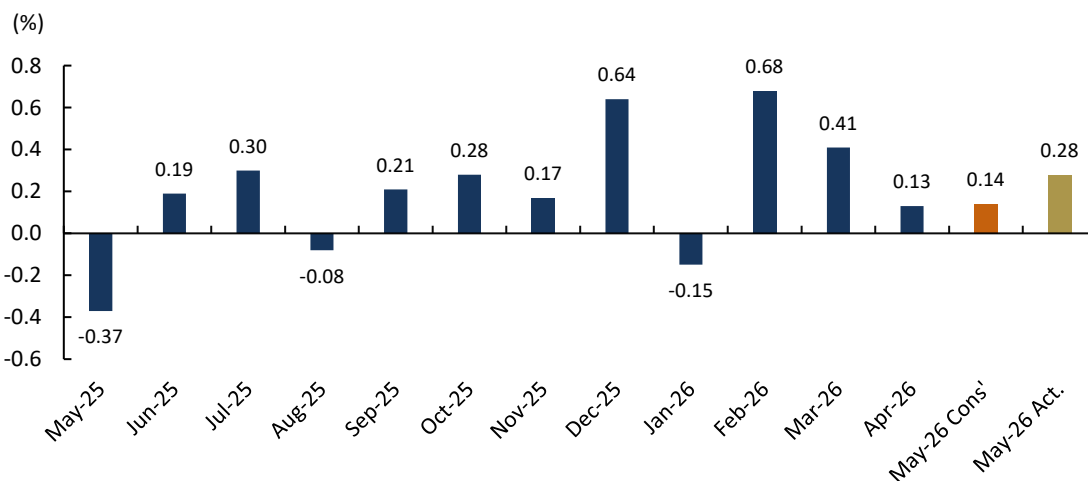
# Indonesia May Inflation: 2 June 2026

- Indonesia's headline inflation accelerated to 3.08% YoY in May 2026, up from 2.42% YoY in April, marking the strongest inflation reading since September 2025. The figure came in slightly above market expectations of 2.97%, but was broadly in line with SSI's forecast of 3.09%, suggesting that the recent rise in price pressures was largely anticipated and within Bank Indonesia's target range of 2.5% ±1%.
- The increase was primarily driven by a sharp rebound in food inflation, which accelerated to 4.94% YoY from 3.06% YoY previously, the highest level in eight months. Higher prices of key food commodities, combined with elevated distribution and logistics costs in several regions, contributed significantly to the pickup. Beyond food, inflationary pressures became more broad-based, with higher price growth observed across housing, transportation, healthcare, restaurants, furnishings, communication, recreation, and education. The breadth of the increase suggests that inflation is no longer solely a volatile-food story but is reflecting a broad-based rising cost pass-through, in line with our IDR depreciation.
- This trend is further supported by the rise in core inflation, which accelerated to 2.59% YoY from 2.44% YoY in April, reaching its highest level in three months. In this case, we believe the rise in core inflation is also triggered by supply-side disruptions rather than demand pull given current softness in employment coupled with anecdotal evidence of rising down trading in terms of consumer purchases on the ground. Meanwhile, monthly inflation rose to 0.28% MoM, more than double April's 0.13% increase and significantly above market expectations of 0.14%, indicating that price pressures intensified more rapidly than anticipated during the month.
- From a monetary policy perspective, the latest inflation reading should provide Bank Indonesia with some forewarning of worse things to come, particularly on the back of the IDR's continued depreciation. Going forward, given that the recent 50 bps BI rate hike to 5.25% has not been able to stabilize the local currency, the central bank must continue to balance the need for exchange-rate stability amid persistent imported inflation risks versus economic growth.
- Looking ahead, inflation is likely to remain elevated around the 3.0–3.3% YoY range over the coming months. Food prices may continue to face seasonal pressures given the predicted emergence of El Nino, while higher transportation and logistics costs could sustain moderate upside risks on the continuation of the Iran war. We hope that the government can improve domestic food supply conditions by providing stabilization measures to help prevent a significant inflation surge in the coming months.

## Inflation Based on Spending Category YoY

Number	Details	CPI Apr-26	CPI May-26	Contribution to CPI May-26
	<b>Headline Inflation</b>	<b>2.42</b>	<b>3.08</b>	<b>3.08</b>
1	Housing, water, electricity and household fuels	0.74	1.00	0.05
2	Personal care and other services	11.43	10.35	0.70
3	Food, beverages and tobacco	3.06	4.94	1.43
4	Food beverages services/restaurants	1.93	2.24	0.22
5	Transportation	1.61	2.30	0.28
6	Education services	1.14	1.15	0.07
7	Health	1.49	1.70	0.05
8	Clothing and footwear	0.79	0.84	0.04
9	Recreation, sport and culture	1.19	1.30	0.02
10	Furnishings, household equipment and routine household maintenance	0.60	0.98	0.05
11	Information, communication and financial services	-0.03	0.97	0.06

## Inflation MoM



## Inflation YoY

