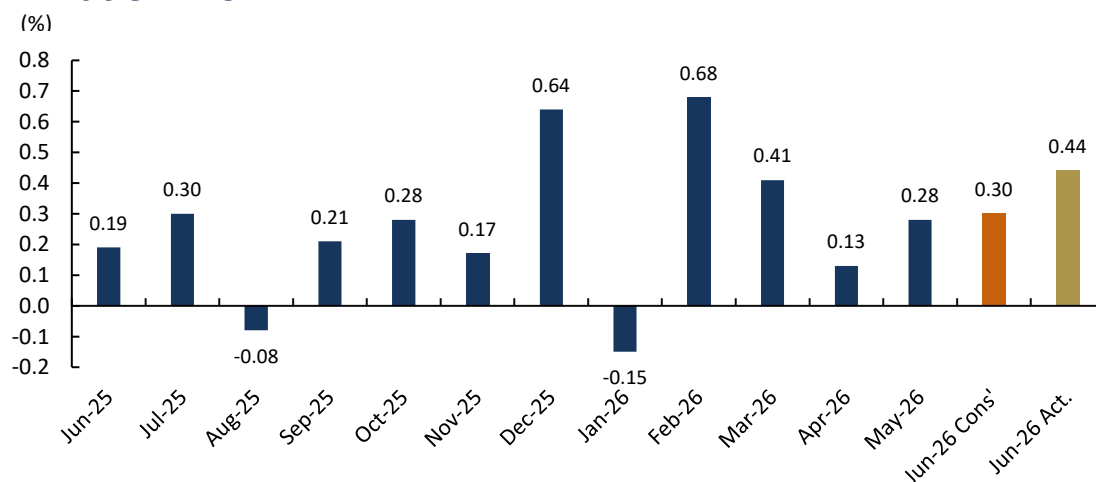


- Indonesia's annual inflation accelerated to 3.34% YoY in June, up from 3.08% in May, exceeding the market consensus of 3.20% but coming in slightly below SSI's forecast of 3.40%. The latest reading marks the highest inflation rate since March 2026 and places headline inflation just below the upper bound of Bank Indonesia's 1.5%–3.5% target range. On a monthly basis, consumer prices increased 0.44%, accelerating from 0.28% in May and surpassing market expectations of 0.30%, indicating that inflationary pressures remained relatively broad-based heading into 2H26.
- Increased headline inflation was driven by broadening price pressures across multiple expenditure categories. While food inflation eased marginally from the previous month, stronger inflation in transportation, housing, furnishings, healthcare, communications, education, recreation, and clothing more than offset the moderation. More importantly, core inflation rose to 2.76%, its highest level in 38 months, highlighting increasingly persistent underlying inflationary pressures. The continued acceleration in core inflation suggests that higher production and distribution costs are being gradually passed through to consumers, consistent with recent business surveys showing elevated input costs and stronger selling price inflation. This development also indicates that inflation is becoming increasingly demand- and services-driven rather than solely influenced by volatile food prices.
- The latest inflation data broadly validate Bank Indonesia's recent policy tightening. Since May, BI has raised its benchmark policy rate by a cumulative 100 bps, including the extraordinary off-cycle rate hike in early June, to preserve rupiah stability and prevent inflation expectations from becoming unanchored. Although June's inflation reading remained slightly below SSI's projection, the continued rise in core inflation suggests that underlying price pressures remain firm. Consequently, the latest data reinforce expectations that Bank Indonesia will maintain a relatively restrictive monetary policy stance over the coming quarters, with any discussion of policy easing likely to be postponed until inflation shows clearer signs of moderating.
- Looking ahead, we expect inflation to remain near the upper end of Bank Indonesia's target range during the coming months, although the June outcome suggests that price pressures remain broadly consistent with SSI's baseline outlook. Services inflation and transportation costs are likely to remain elevated, while the continued pass-through of higher producer prices should keep core inflation relatively firm. Nevertheless, weakening domestic manufacturing activity, softer consumer demand, and slowing new orders—as reflected by the sharp contraction in the June Manufacturing PMI—should help contain broader inflationary pressures and prevent a sustained overshoot of the target band. While inflation may remain manageable over the remainder of the year particularly on easing energy prices, Bank Indonesia is still likely forced into further tightening to maintain IDR stability amid potential rate hike by the Fed ahead.

Inflation Based on Spending Category YoY

Number	Details	CPI May-26	CPI Jun-26	Contribution to CPI Jun-26
	Headline Inflation	3.08	3.44	3.44
1	Housing, water, electricity and household fuels	1.00	1.04	0.16
2	Personal care and other services	10.35	10.10	0.69
3	Food, beverages and tobacco	4.94	4.67	1.36
4	Food beverages services/restaurants	2.24	2.36	0.24
5	Transportation	2.30	4.57	0.55
6	Education services	1.15	1.15	0.07
7	Health	1.70	1.84	0.05
8	Clothing and footwear	0.84	1.00	0.05
9	Recreation, sport and culture	1.30	1.40	0.02
10	Furnishings, household equipment and routine household maintenance	0.98	1.44	0.08
11	Information, communication and financial services	0.97	1.26	0.69

Inflation MoM



Inflation YoY

