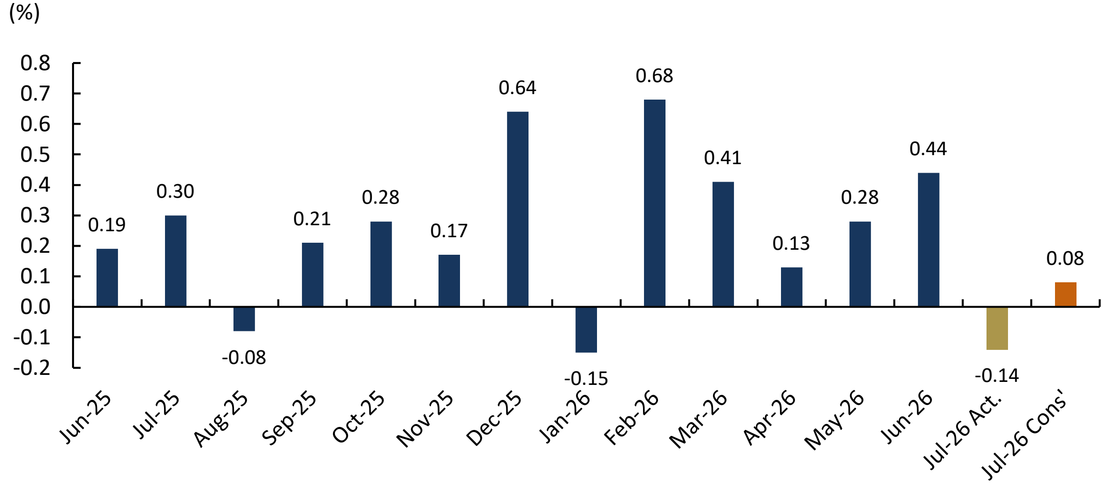
Indonesia July Inflation: 3 August 2026

- Indonesia's July inflation of 2.88%, the lowest since April, was below consensus of 3.2% (SSI: 2.86%), offering some near-term relief but at the same time suggesting risk of domestic demand weakness. While this supports our view that June's inflation spike was partly temporary, the improvement was driven by volatile food prices and softness in local purchasing power, particularly given seasonality of summer school holiday and back-to-school.
- On a monthly basis, consumer prices declined 0.14%, reversing the 0.44% increase in June and undershooting expectations for 0.1% increase. This marked the first monthly deflation since January and brought year-to-date inflation to 1.65%. However, the decline was concentrated in several volatile food items, suggesting that the softer reading may prove difficult to sustain if supply conditions normalize or seasonal pressures re-emerge.
- Volatile-price components fell 1.68% MoM and reduced inflation by 0.28ppts, while food prices dropped 1.32%. Shallots, red chilies, bird's-eye chilies, eggs and tomatoes were the largest contributors to deflation. Given the inherently volatile nature of these commodities, part of the July correction could reverse in subsequent months.
- Underlying inflation remained relatively sticky. Core inflation was unchanged at 2.76% year-on-year and still increased by 0.14% month-on-month, contributing 1.76 percentage points to annual headline inflation. The stability of core inflation suggests that domestic price pressures have not weakened materially despite the softer headline figure, limiting the extent to which July's inflation result can be interpreted as a clear disinflationary trend despite impact stemming from some demand softness on the ground.
- Price pressures also remained elevated in several key expenditure categories. Transportation inflation rose 5.12% year-on-year and contributed 0.62 percentage points to headline inflation, with gasoline contributing 0.31 percentage points and airfares another 0.15 percentage points. Personal care and other services recorded inflation of 9.04%, mainly reflecting elevated jewellery-gold prices. These pockets of persistent inflation indicate that households continue to face meaningful cost pressures despite the improvement in the headline number.
- Looking ahead, inflation is likely to remain within BI's target range, but risks remain tilted to the upside, partly on the back of continued IDR weakness. The sharp decline in volatile food prices may partially reverse, while higher global energy prices, IDR depreciation and potential administered-price adjustments could renew inflationary pressure. Thus, July's softer inflation provides some policy relief but is unlikely on its own to justify a significantly more accommodative monetary stance, particularly while external and exchange-rate risks remain elevated.

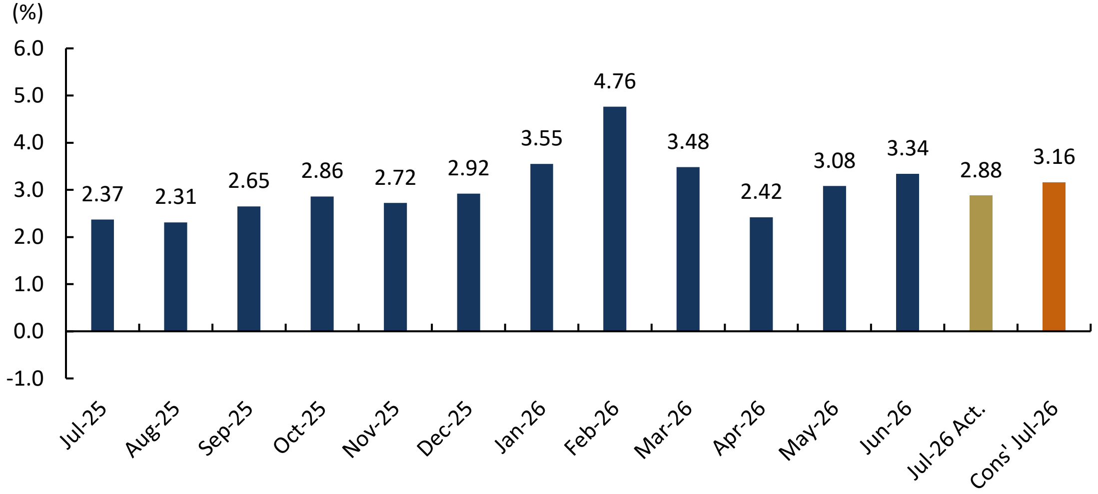
Inflation, Based on Spending Category (YoY %)

Number	Details	CPI Jun-26	CPI Jul-26	Contribution to CPI Jul-26
	Headline Inflation	**3.34**	**2.88**	**2.88**
1	Housing, water, electricity & household fuels	1.04	0.99	0.15
2	Personal care & other services	10.10	9.04	0.61
3	Foods, beverages & tobacco	4.67	2.97	0.87
4	Food beverages services/restaurants	2.36	2.55	0.25
5	Transportation	4.57	5.12	0.62
6	Education services	1.27	1.00	0.06
7	Health	1.84	1.96	0.06
8	Clothing & footwear	1.00	1.04	0.05
9	Recreation, sports & culture	1.40	1.58	0.03
10	Furnishings, household equipment & routine household maintenance	1.44	1.72	0.09
11	Information, communications & financial services	1.26	1.50	0.09

Inflation MoM



Inflation YoY



Sources: Bloomberg, BPS, SSI Research

Macro Strategy Team