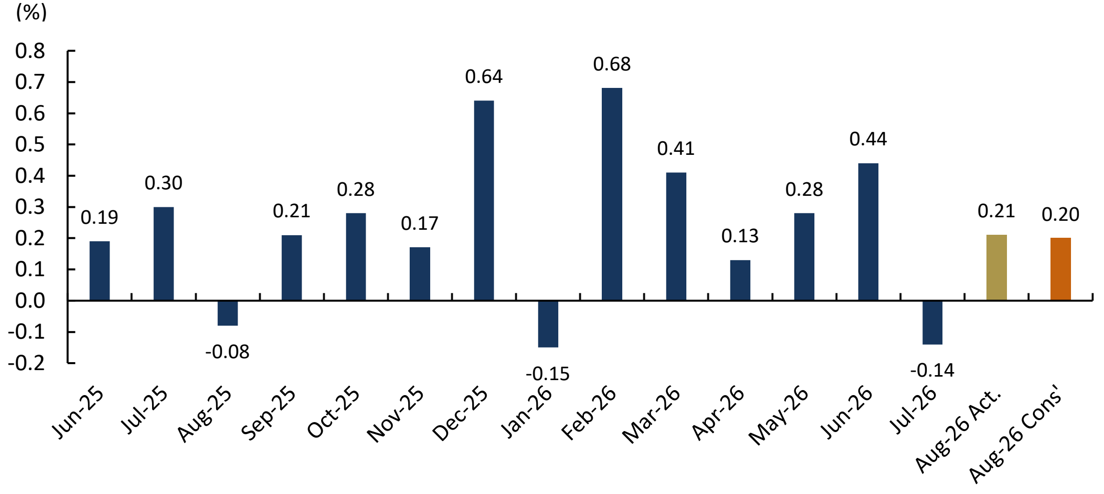
Indonesia August Inflation: 1 September 2026

- Indonesia's annual inflation accelerated to 3.19% YoY in August 2026 from 2.88% in July, slightly above the market consensus of 3.13% and well above SSI's 2.5% forecast. Inflation remains within Bank Indonesia's 1.5%–3.5% target range, although it has moved noticeably closer to the upper bound. On a monthly basis, CPI rose 0.21% MoM, reversing July's 0.14% decline and broadly matching market expectations of 0.20%.
- While part of the acceleration reflects normalization following July's deflation, the stronger increase suggests that price pressures are becoming more visible across several components and being less comfortably positioned within BI's target range. Our channel checks reveal higher prices of both rice and unhusked rice, which warrant closer monitoring.
- That said, core inflation rose to 2.92% YoY, its highest level since March 2023, pointing to gradually strengthening underlying price pressures. This suggests that the increase in headline inflation is not solely driven by volatile food or administered prices. Persistent core inflation near 3% may indicate gradual pass-through from domestic demand and higher input costs into consumer prices.
- From a monetary-policy perspective, the latest inflation data reinforce the case for Bank Indonesia to maintain a cautious stance. Although inflation remains within target and does not immediately warrant further tightening, the combination of headline inflation approaching the upper bound and firmer core inflation has reduced the room for near-term easing, particularly amid internal and external uncertainties as well as continued focus on IDR stability.
- Looking ahead, we expect inflation to be relatively elevated, with risks moderately tilted to the upside from food prices, global energy costs, imported inflation and relatively weak IDR. Domestic supply-side measures and BI's current policy stance should help contain a sustained breach of the target range. Nevertheless, while BI will keep its policy rate at 5.75% in the near term, a sustained rise toward or above the 3.5% upper bound, coupled with a potential Fed rate hike, would strengthen the case for a more defensive monetary stance going forward.

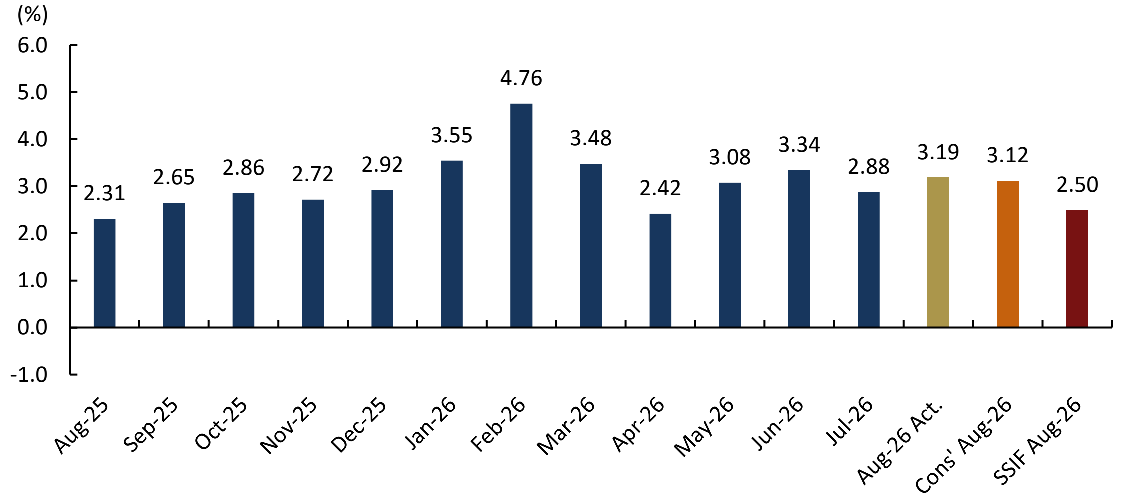
Inflation, Based on Spending Category (YoY %)

Number	Details	CPI Jul-26	CPI Aug-26	Contribution to CPI Aug-26
	Headline Inflation	**2.88**	**3.19**	**3.19**
1	Housing, water, electricity & household fuels	0.99	1.01	0.16
2	Personal care & other services	9.04	9.25	0.63
3	Foods, beverages & tobacco	2.97	3.86	1.13
4	Food beverages services/restaurants	2.55	2.67	0.27
5	Transportation	5.12	4.79	0.58
6	Education services	1.00	1.20	0.07
7	Health	1.96	2.12	0.06
8	Clothing & footwear	1.04	1.21	0.05
9	Recreation, sports & culture	1.58	1.75	0.03
10	Furnishings, household equipment & routine household maintenance	1.72	2.00	0.10
11	Information, communications & financial services	1.50	1.72	0.10

Inflation MoM



Inflation YoY



Sources: Bloomberg, BPS, SSI Research

Macro Strategy Team