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Inflation Update

1 July 2026

Inflation Picks Up on Fuel Price Hike and Weaker Food Supply

Indonesia's headline inflation accelerated more than expected in Jun '26, rising to 0.44% MoM (Cons: 0.29%, KBVS: 0.23%, Prev: 0.28%) **and lifting annual inflation to 3.34% YoY** (Cons: 3.20%, KBVS: 3.13%, Prev: 3.08%)**.** The stronger-than-expected print leaves headline inflation just 16bps below the upper bound of Bank Indonesia's 1.5-3.5% target range. The upside surprise was primarily driven by two consecutive non-subsidized fuel price adjustments and tighter food supply conditions amid the prolonged dry season.

Administered Prices were the main driver, rising 1.41% MoM, mainly reflected higher non-subsidized fuel prices and airfares following Pertamina's two fuel price adjustments during the month. Pertamax (RON 92) prices increased by around 32% to IDR16,250/L, while Pertamax Turbo (RON 98) and Dexlite rose by approximately 48% and 66%, respectively. The adjustments quickly passed through to transportation costs, with the Transportation group recording the highest monthly inflation at 2.29% MoM, driven by gasoline (+4.53% MoM), airfares (+6.11% MoM), and engine lubricants (+4.89% MoM). The broad-based increase suggests that higher fuel costs have begun to feed into wider distribution and service prices.

Food inflation remained elevated amid higher imported food costs and domestic supply shortages. The Food, Beverages & Tobacco group rose 0.20% MoM, mainly driven by higher prices of garlic (+6.88% MoM), shallots (+6.52% MoM), and rice (+0.45% MoM). These commodities were also the main contributors to the Volatile Food component, which increased 0.14% MoM. Garlic prices continued to rise as rupiah depreciation and higher global freight costs increased the landed cost of imports. Meanwhile, shallot and rice prices remained elevated due to tighter domestic supply, as the prolonged dry season reduced agricultural output and delayed harvests across several producing regions, including Enrekang, Demak, and Malang. The persistence of these supply-side pressures suggests that June's food inflation was driven primarily by higher production and import costs rather than stronger consumer demand.

Core inflation continued to strengthen, indicating that inflationary pressure is becoming more broad-based rather than purely supply-driven. Core inflation accelerated to 2.76% YoY (Cons: 2.60%, KBVS: 2.51%, Prev: 2.59%), marking the third consecutive monthly increase. The increase was supported by higher prices of cooking oil, mobile phones, gold jewelry, prepared meals, and education-related services, reflecting a combination of rupiah pass-through on imported goods and persistently sticky domestic services costs. Personal Care & Other Services remained one of the strongest-performing groups, rising 10.10% YoY, largely due to elevated gold jewelry prices, despite the recent correction in international gold prices.

Monetary Policy and Market Implications

June's stronger-than-expected inflation print reinforces our expectation that Bank Indonesia will maintain a hawkish hold at its upcoming policy meeting. Headline inflation accelerated to 3.34% YoY, approaching the upper end of BI's 1.5–3.5% target range, while core inflation continued to firm at 2.76% YoY, indicating that price pressures are becoming more broad-based. Although the upside surprise was primarily driven by higher non-subsidized fuel prices and food supply constraints, the continued firming in core inflation suggests that cost pressures are gradually feeding into a broader range of goods and services. As such, we believe BI is likely to keep the policy rate unchanged to anchor inflation expectations and preserve rupiah stability.

We expect margin pressure to intensify across consumer-oriented sectors. Higher transportation and distribution costs, together with weaker household purchasing power, could compress margins for companies with limited pricing power, particularly consumer staples, food producers, and retailers.

Looking ahead, we expect inflation to remain elevated over the next few months, although the pace of acceleration should moderate as the one-off impact of fuel price adjustments gradually fades. Nevertheless, risks remain skewed to the upside if dry-season-related supply constraints persist or renewed rupiah depreciation further increases imported food and logistics costs. Consequently, we expect Bank Indonesia to maintain its pro-stability policy stance while closely monitoring the extent of second-round inflationary pressures.

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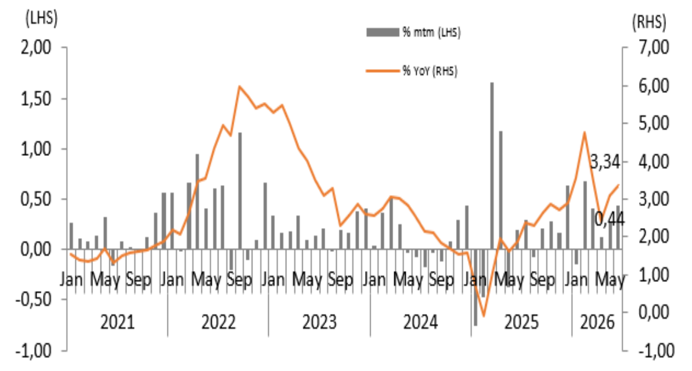
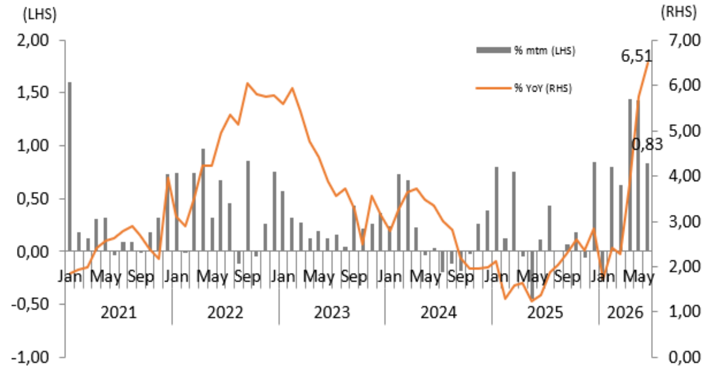
Fig 1. CPI (Consumer or Headline) Inflation



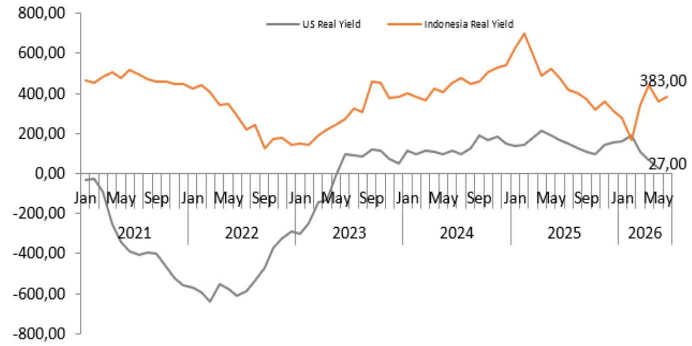
Sources: BPS, KBVS Research – treated (2026)

Fig 2. WPI (Wholesale) Inflation



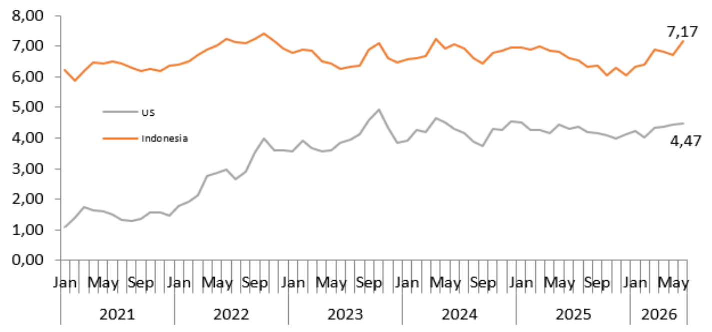
Sources: BPS, KBVS Research – treated (2026)

Fig 3. Real Yield US vs Indonesia (in bps)



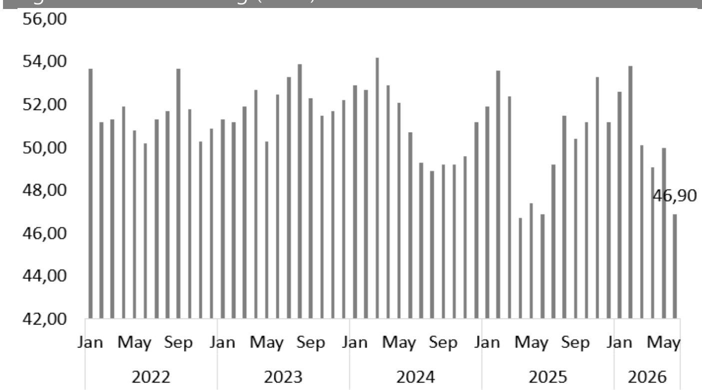
Sources: Bloomberg, KBVS Research – treated (2026)

Fig 4. Yield of 10Yr Government Bond (in %)



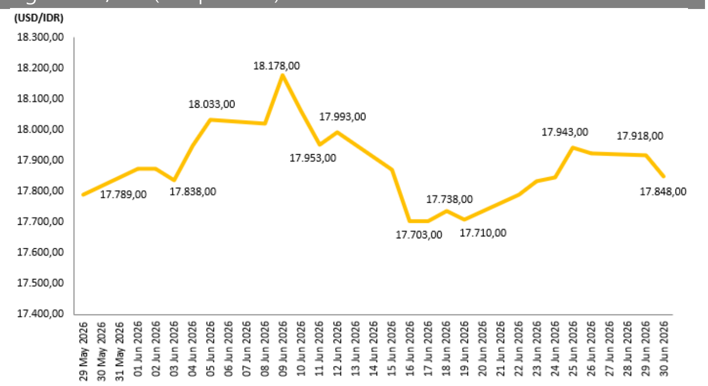
Sources: Bloomberg, KBVS Research – treated (2026)

Fig 5. PMI Manufacturing (index)



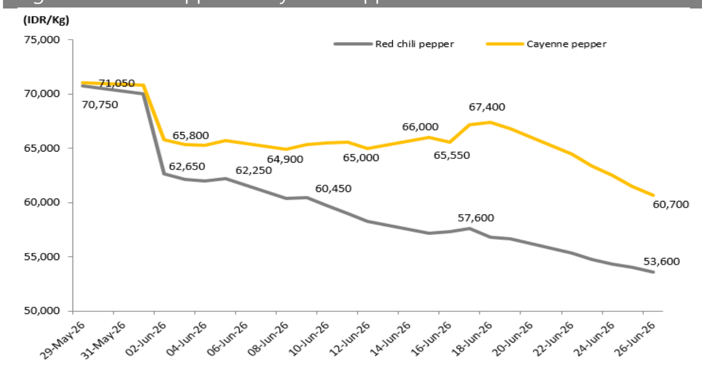
Sources: Market Economics, KBVS Research – treated (2026)

Fig 6. USD/IDR (IDR per USD)



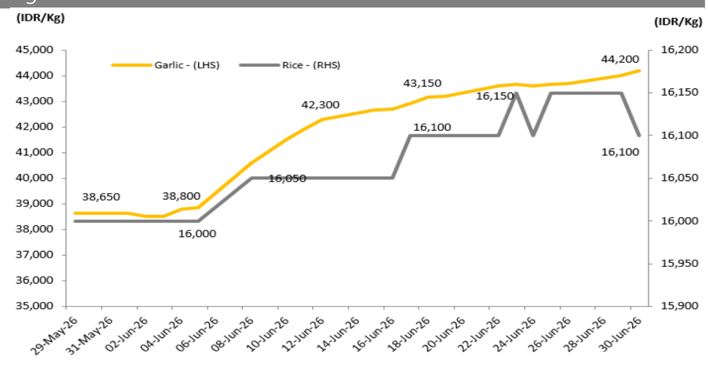
Sources: Bloomberg, KBVS Research – treated (2026)

Fig 7. Red Chili Pepper & Cayenne Pepper Price



Sources: BI, KBVS Research – treated (2026)

Fig 8. Garlic & Rice Price



Sources: BI, KBVS Research – treated (2026)

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Inflation Update

1 July 2026

Table 1. CPI, WPI & Farmer Exchange Rate June '26

Indicators	Index		Inflation	
	Latest	M-1	MoM	YoY
Consumer Price Index (CPI)	**111,89**	**111,40**	**0,44%**	**3,34%**
Food, Beverages, and Tobacco	117,75	117,51	0,20%	4,67%
Clothing and Footwear	105,04	104,82	0,21%	1,00%
Housing,Water, Electricity,and Household Fuels	105,06	104,93	0,12%	1,04%
Equipment, Tools, and Routine Household Maintenance	105,56	105,09	0,45%	1,44%
Health	107,62	107,38	0,22%	1,84%
Transport	115,00	112,42	2,29%	4,57%
Info, Comm. and Financial Services	100,54	100,26	0,28%	1,26%
Recreation, Sport and Culture	106,43	106,23	0,19%	1,40%
Education Services	106,36	106,29	0,07%	1,27%
Food and Beverages Services/Restaurants	110,19	109,98	0,19%	2,36%
Personal Care and Other Services	132,13	132,00	0,10%	10,10%
Core inflation	109,60	109,35	0,23%	2,76%
Administered Price	113,79	112,21	1,41%	3,42%
Volatile Food	119,05	118,88	0,14%	5,58%
Wholesale Price Index (WPI)	**111,55**	**110,63**	**0,83%**	**6,51%**
Agriculture	115,49	114,28	1,06%	8,34%
Mining and Quarrying	110,87	110,29	0,53%	10,87%
Manufacturing	111,27	110,78	0,44%	3,95%
Farmer Exchange Rate	**127,76**	**127,73**	**0,02%**	**4,96%**
Farmers Price Received Index	127,65	165,36	-22,80%	-15,40%
Farmers Price Paid Index	127,65	127,74	-0,07%	2,98%

Sources: BPS, KBVS Research - treated (2026)

Table 2. Commodity Price In Traditional Market

No.	Commodity	Price (Rp per Kg)					Monthly Price Change
		30/05/2026	05/06/2026	12/06/2026	19/06/2026	30/06/2026	(%, ptp)
I	**Rice**	**16,000**	**16,000**	**16,050**	**16,100**	**16,150**	**0,94%**
1	Lower Quality Rice I	14,600	14,650	14,650	14,650	14,650	0,34%
2	Lower Quality Rice II	14,450	14,450	14,500	14,500	14,550	0,69%
3	Medium Quality Rice I	16,200	16,200	16,250	16,300	16,350	0,93%
4	Medium Quality Rice II	16,000	16,050	16,050	16,100	16,100	0,63%
5	Super Quality Rice I	17,450	17,500	17,550	17,550	17,600	0,86%
6	Super Quality Rice II	16,950	16,950	17,000	17,050	17,100	0,88%
II	**Chicken meat**	**39,200**	**38,150**	**37,200**	**37,150**	**37,050**	**-5,48%**
1	Fresh Race Chicken Meat	39,200	38,150	37,200	37,150	37,050	-5,48%
III	**Beef**	**147,100**	**145,050**	**144,950**	**145,800**	**146,350**	**-0,51%**
1	Quality 1 Beef	150,700	148,500	148,600	149,500	150,000	-0,46%
2	Quality 2 Beef	141,150	140,100	139,650	140,450	141,050	-0,07%
IV	**Chicken eggs**	**30,500**	**30,400**	**30,100**	**29,950**	**29,650**	**-2,79%**
1	Fresh Chicken Eggs	30,500	30,400	30,100	29,950	29,650	-2,79%
V	**Red onion**	**50,800**	**54,350**	**55,450**	**53,600**	**50,850**	**0,10%**
1	Medium Shallot	50,800	54,350	55,450	53,600	50,850	0,10%
VI	**Garlic**	**38,650**	**38,850**	**42,300**	**43,200**	**43,700**	**13,07%**
1	Medium Size Garlic	38,650	38,850	42,300	43,200	43,700	13,07%
VII	**Red chili pepper**	**70,750**	**62,250**	**58,250**	**56,700**	**53,600**	**-24,24%**
1	Large Red Chili	73,050	64,550	61,300	57,500	53,450	-26,83%
2	Curly Red Chili	69,800	61,000	56,150	55,650	53,100	-23,93%
VIII	**Cayenne pepper**	**71,050**	**65,750**	**65,000**	**66,800**	**60,700**	**-14,57%**
1	Green Cayenne Pepper	59,650	55,350	53,900	54,850	51,800	-13,16%
2	Red Cayenne Pepper	82,450	75,700	74,550	76,300	67,450	-18,19%
IX	**Cooking oil**	**22,800**	**22,800**	**22,900**	**22,950**	**22,950**	**0,66%**
1	Bulk Cooking Oil	20,550	20,700	20,600	20,600	20,600	0,24%
2	Branded Packaging Cooking Oil 1	24,000	24,050	24,200	24,200	24,250	1,04%
3	Branded Packaging Cooking Oil 2	23,150	23,200	23,300	23,350	23,400	1,08%
X	**Sugar**	**19,550**	**19,550**	**19,550**	**19,550**	**19,550**	**0,00%**
1	Premium Quality Sugar	20,250	20,250	20,250	20,300	20,300	0,25%
2	Local Sugar	19,150	19,100	19,150	19,100	19,100	-0,26%

Sources: BI, KBVS Research - treated (2026)

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