

Continued Monthly Deflation in January

Indonesia recorded monthly deflation in Jan '26 for the second consecutive year, with headline CPI declining by -0.15% MoM while annual inflation accelerated to 3.55% YoY (Cons: 0.06% MoM or 3.77% YoY; KBVS: -0.56% MoM or 3.14% YoY; Prev: 0.64% MoM or 2.92% YoY). Unlike Jan '25—when deflation was primarily driven by a temporary 50% electricity tariff discount—the January 2026 deflation was largely supported by improving distribution conditions following supply disruptions and natural disasters that occurred during November–December 2025.

Monthly deflation was mainly driven by declining prices of key food commodities and transportation-related items, including red chili, cayenne pepper, shallots, broiler chicken meat, eggs, carrots, coconuts, green chili, potatoes, oranges, mustard greens, gasoline, airfares, and intercity transportation tariffs. **Meanwhile, inflationary pressures persisted in several categories due to rupiah depreciation, adverse weather conditions, and rising global commodity prices.** This was reflected in price increases for fresh fish, tomatoes, garlic, rice, preserved fish, prepared meals, residential rents, motorcycles, and gold jewelry.

From a component perspective, core inflation increased by 0.37% MoM and 2.45% YoY, reflecting underlying demand and imported inflation pressures. Administered prices declined by -0.32% MoM, although they remained elevated at 9.71% YoY, while volatile food prices recorded sharp deflation of -1.96% MoM and 1.44% YoY. The decline in administered prices was primarily driven by reductions in non-subsidized fuel prices effective 1 Jan '26. Pertamina (RON 92) fell to IDR12,350 per liter (Prev: IDR12,750), Pertamina Green 95 to IDR13,150 (Prev: IDR 13,500), Pertamina Turbo (RON 98) to IDR13,400 (Prev: IDR 13,750), Dexlite (CN 51) to IDR13,500 (Prev: IDR14,700), and Pertamina Dex (CN 53) to IDR13,600 (Prev: IDR15,000). Further price adjustments effective 1 Feb '26—also reflecting downward revisions—are expected to sustain deflationary pressure in the administered price component in Feb '26.

Across expenditure groups, Personal Care and Other Services; then Housing, Water, Electricity, and Household Fuels continued to post monthly inflation of 2.28% MoM and 0.06% MoM, respectively. On an annual basis, these categories remained the main contributors to inflation, registering 15.22% YoY and 11.93% YoY. In contrast, Food, Beverages, and Tobacco recorded deflation of -1.03% MoM (1.54% YoY), while Transportation posted -0.46% MoM (0.58% YoY).

Monetary Policy and Market Implications

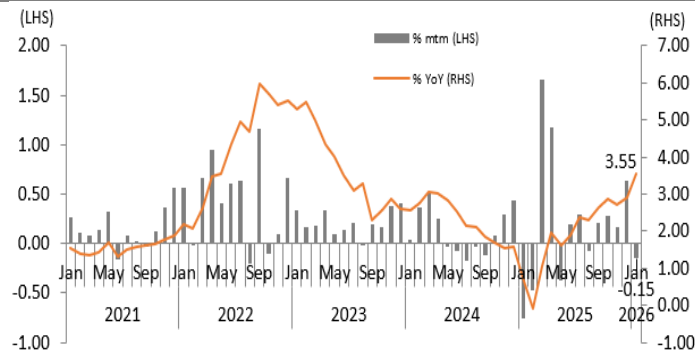
Looking ahead, unfavorable weather conditions in early Feb '26 could reignite food inflation pressures. At the same time, continued Rupiah depreciation may push up core inflation through higher imported inflation. Moreover, with headline inflation remaining above Bank Indonesia's midpoint target for five consecutive months, market participants are expected to remain cautious. **This environment may encourage Bank Indonesia to maintain its policy rate at the upcoming Board of Governors' Meeting on 18–19 Feb '26**, especially amid ongoing rupiah volatility, geopolitical risks, and weakening global trade momentum.

On the growth front, Indonesia's S&P Global Manufacturing PMI rebounded to 52.6 in Jan '26 (Prev: 51.2), reflecting a recovery in factory activity and improved business conditions. Despite persistent input cost pressures, these remained below their long-term average, while output prices increased at the slowest pace observed in recent months—indicating easing price pressures at the producer level.

Looking ahead, rising gold prices and the continued depreciation of the rupiah are expected to generate upward pressure on inflation, particularly within core components. However, ongoing improvements in supply chain conditions and relatively stable staple food prices are likely to help contain inflationary pressures in Feb '26 and support overall price stability. This outlook suggests that inflation risks ahead of the Lunar New Year, Ramadan, and Eid festive periods should remain manageable.

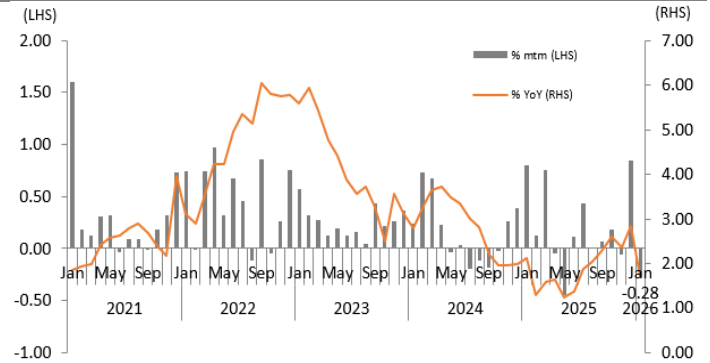
The decline in non-subsidized fuel prices, combined with improving distribution conditions—particularly in regions affected by the Nov and Dec '25 disasters—contributed to monthly deflation in Jan '26. Nevertheless, the lower base effect in Jan '25 pushed the annual headline CPI to its highest level in nearly three years. Looking ahead, rising gold prices and a weakening rupiah are expected to exert upward pressure on inflation. However, improvements in distribution networks and stable staple food prices are anticipated to help contain further inflationary pressures in Feb '26.

Fig 1. CPI (Consumer or Headline) Inflation



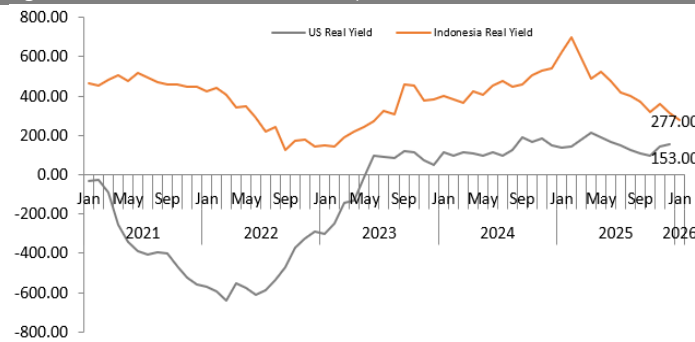
Sources: BPS, KBVS Research – treated (2026)

Fig 2. WPI (Wholesale) Inflation



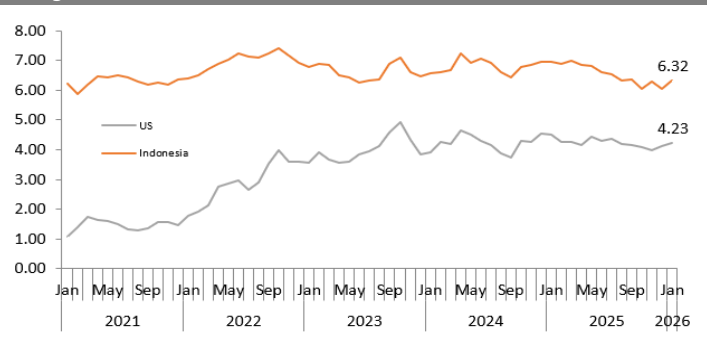
Sources: BPS, KBVS Research – treated (2026)

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



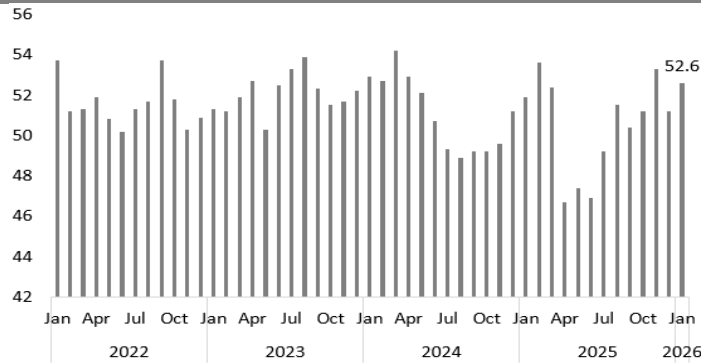
Sources: Bloomberg, KBVS Research – treated (2026)

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



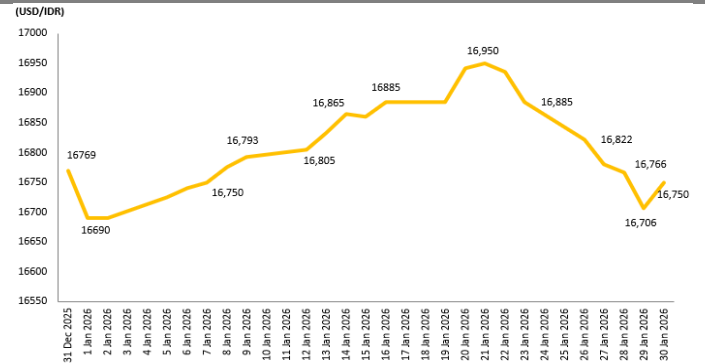
Sources: BI, KBVS Research – treated (2026)

Fig 5. PMI Manufacturing



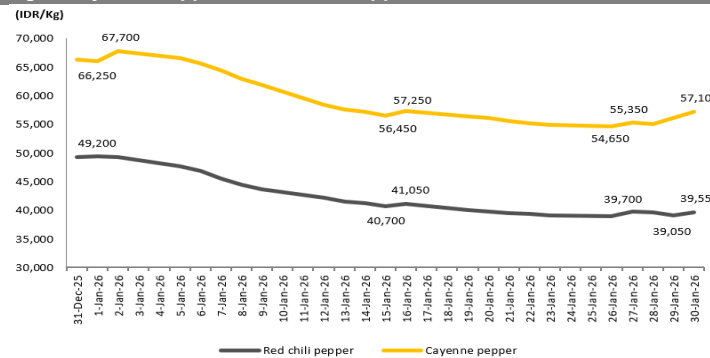
Sources: Market Economics, KBVS Research – treated (2026)

Fig 6. USD/IDR



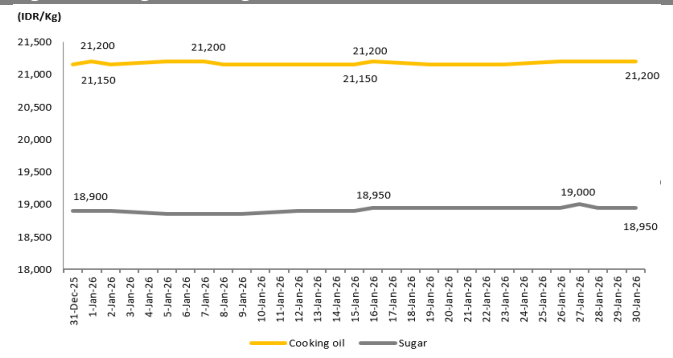
Sources: Bloomberg, KBVS Research – treated (2026)

Fig 7. Cayenne Pepper & Red Chili Pepper Price



Sources: BI, KBVS Research – treated (2026)

Fig 8. Cooking Oil & Sugar Price



Sources: BI, KBVS Research – treated (2026)

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

Indicators	Index		Inflation	
	Latest	M-1	MoM	YoY
Consumer Price Index (CPI)	109.75	109.92	-0.15%	3.55%
Food, Beverages, and Tobacco	114.28	115.47	-1.03%	1.54%
Clothing and Footwear	104.06	104.06	0.00%	0.56%
Housing, Water, Electricity, and Household Fuels	104.32	104.26	0.06%	11.93%
Equipment, Tools, and Routine Household Maintenance	104.18	104.08	0.10%	0.16%
Health	106.76	106.55	0.20%	1.62%
Transport	110.32	110.83	-0.46%	0.58%
Info, Comm. and Financial Services	99.21	99.20	0.01%	-0.19%
Recreation, Sport and Culture	105.57	105.48	0.09%	1.05%
Education Services	106.23	106.20	0.03%	1.11%
Food and Beverages Services/Restaurants	108.41	108.20	0.19%	1.36%
Personal Care and Other Services	131.24	128.31	2.28%	15.22%
Core inflation	108.26	107.86	0.37%	2.45%
Administered Price	110.55	110.90	-0.32%	9.71%
Volatile Food	114.94	117.24	-1.96%	1.14%
Wholesale Price Index (WPI)	106.00	106.30	-0.28%	1.73%
Agriculture	109.05	111.87	-2.52%	2.20%
Mining and Quarrying	102.15	101.15	0.99%	0.73%
Manufacturing	108.40	108.04	0.33%	2.37%
Farmer Exchange Rate	123.60	125.35	-1.40%	0.67%
Farmers Price Received Index	155.02	157.94	-1.85%	3.69%
Farmers Price Paid Index	125.42	126.00	-0.46%	3.01%

Sources: BPS, KBVS Research - treated (2026)

Table 2. Commodity Price In Traditional Market

No.	Commodity	Price (Rp per Kg)					Monthly Price Change (%, ptp)
		31/12/2025	7/1/2026	14/1/2026	21/1/2026	31/1/2026	
I	Rice	15,750	15,750	15,750	15,750	15,750	0.00%
1	Lower Quality Rice I	14,400	14,400	14,400	14,400	14,400	0.00%
2	Lower Quality Rice II	14,350	14,400	14,400	14,400	14,400	0.35%
3	Medium Quality Rice I	15,900	15,900	15,900	15,850	15,900	0.00%
4	Medium Quality Rice II	15,800	15,750	15,750	15,750	15,750	-0.32%
5	Super Quality Rice I	17,100	17,100	17,150	17,100	17,100	0.00%
6	Super Quality Rice II	16,650	16,650	16,650	16,650	16,650	0.00%
II	Chicken meat	41,600	41,050	40,650	40,450	40,250	-3.25%
1	Fresh Race Chicken Meat	41,600	41,050	40,650	40,450	40,300	-3.13%
III	Beef	139,400	138,850	139,050	139,150	139,700	0.22%
1	Quality 1 Beef	142,550	141,950	142,200	142,350	142,800	0.18%
2	Quality 2 Beef	134,650	134,350	134,600	134,600	135,150	0.37%
IV	Chicken eggs	32,850	32,500	32,100	31,800	31,550	-3.96%
1	Fresh Chicken Eggs	32,850	32,500	32,100	31,800	31,550	-3.96%
V	Red onion	50,700	48,950	46,700	44,600	43,400	-14.40%
1	Medium Shallot	50,700	48,950	46,700	44,600	43,400	-14.40%
VI	Garlic	40,250	40,500	40,550	40,550	40,400	0.37%
1	Medium Size Garlic	40,250	40,500	40,550	40,550	40,400	0.37%
VII	Red chili pepper	49,200	45,550	41,200	39,450	39,550	-19.61%
1	Large Red Chili	48,050	44,250	40,350	38,950	39,000	-18.83%
2	Curly Red Chili	50,100	46,900	41,950	40,150	40,250	-19.66%
VIII	Cayenne pepper	66,250	64,350	57,200	55,600	55,050	-16.91%
1	Green Cayenne Pepper	61,800	62,400	56,000	53,200	51,100	-17.31%
2	Red Cayenne Pepper	66,500	60,800	54,550	55,050	57,600	-13.38%
IX	Cooking oil	21,150	21,200	21,150	21,150	21,200	0.24%
1	Bulk Cooking Oil	18,850	18,800	18,800	18,850	18,800	-0.27%
2	Branded Packaging Cooking Oil 1	22,500	22,600	22,550	22,550	22,600	0.44%
3	Branded Packaging Cooking Oil 2	21,550	21,550	21,500	21,550	21,550	0.00%
X	Sugar	18,900	18,850	18,900	18,950	18,950	0.26%
1	Premium Quality Sugar	19,800	19,800	19,800	19,850	19,850	0.25%
2	Local Sugar	18,200	18,150	18,200	18,300	18,300	0.55%

Sources: BI, KBVS Research - treated (2026)

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