Monthly Economic Briefing
Economic, Banking, and Industry Research - BCA Group
BCA

CPI:

Some signs of demand improvement

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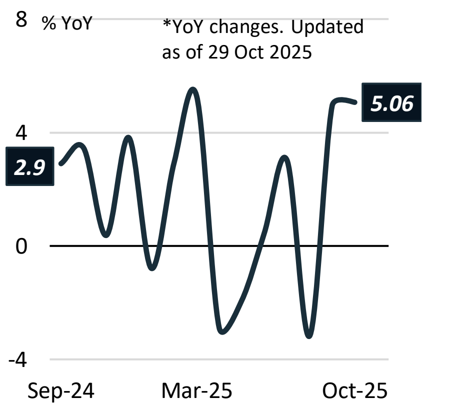
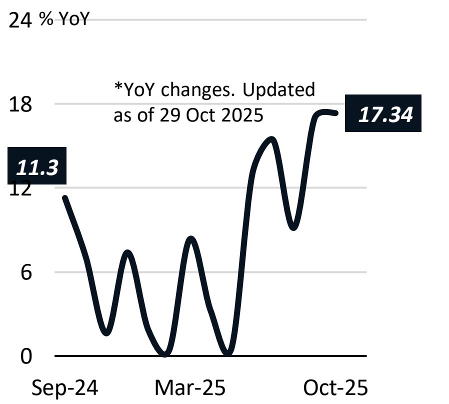
BCA Consumer Spending Index*

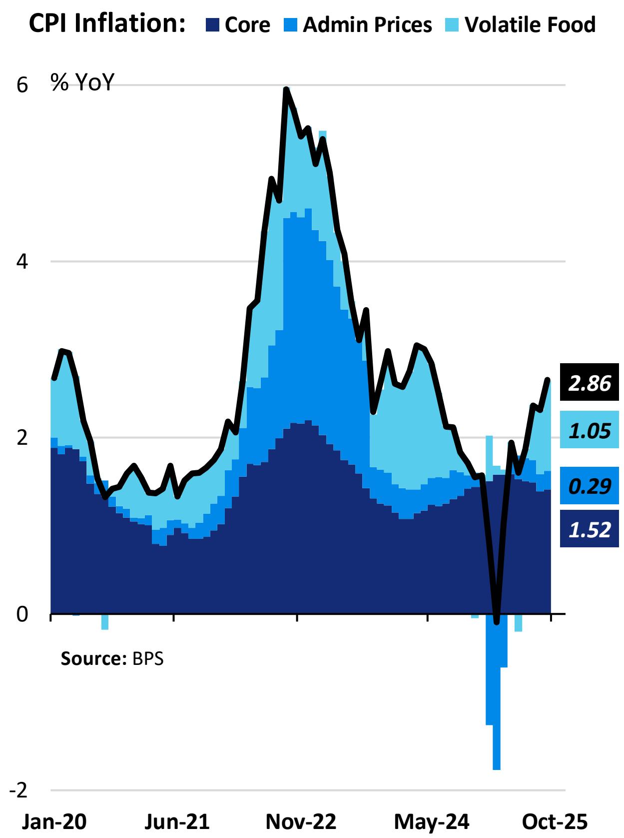


BCA Business Transaction Index*

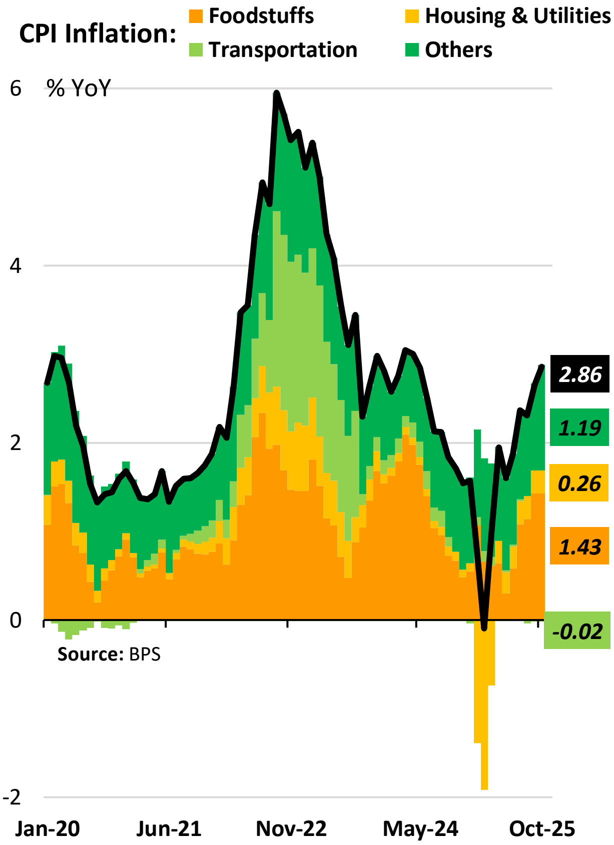


- **Indonesia's inflation accelerated to 2.86% YoY in Oct-2025**, continuing its upward trend since Q2-2025. As before, the headline and core inflation numbers (2.19% YoY, up from 2.17% YoY previously) are still primarily driven by increasing gold/jewellery prices, while seasonal factors such as rising education expenses also continue to leave their mark on the headline number.
- However, a closer look shows that the influence of gold prices on the inflation figure has begun to wane, as indicated by the -0.24% MoM decline in the personal care and other services component.
- The rise in inflation in Oct-2025 also cannot be attributed to higher food prices, as prices of chilli and poultry products have somewhat normalised. Domestic rice prices have likewise been trending downward (-0.9% MoM), supporting the argument that **neither gold nor food prices were behind the acceleration in Oct-2025 inflation.**
- Rising CPI inflation may instead be a by-product of recent interventions, particularly those related to liquidity supply and M2 growth. Indeed, import-heavy components such as healthcare and transport services – where imported products represent major cost factors – led other components in recording MoM inflation. Such a pattern suggests rising cost pressures, stemming partly from the weaker Rupiah amidst policy loosening in previous months.
- **This reading should not be viewed negatively, as the transmission of higher costs to retail prices may also reflect producers' growing optimism about the ability of their consumers to absorb the extra costs.** Rising MoM inflation in components such as recreation and sport services (0.45% MoM, the highest in 2025) highlights the improvement in household demand, which is the goal behind the government's recent interventions.
- **However, the government must remain vigilant against the risk of "bad inflation".** Wetter weather conditions may affect domestic food production, constraining supply just as the rollout of flagship programmes (such as MBG and E10 fuel) may increase the demand for agricultural produce.
- Meanwhile, lower transfers to regional governments in 2026 may affect local subsidy schemes, potentially raising prices for services such as transport and utilities. The expected continued uptrend in inflation underscores the government's urgency to maintain a flexible fiscal posture, with ad-hoc measures such as transfer payments might be needed to safeguard the demand condition against short-term risks.

1 Food inflation decelerates yet the headline CPI inflation number is still trending upward

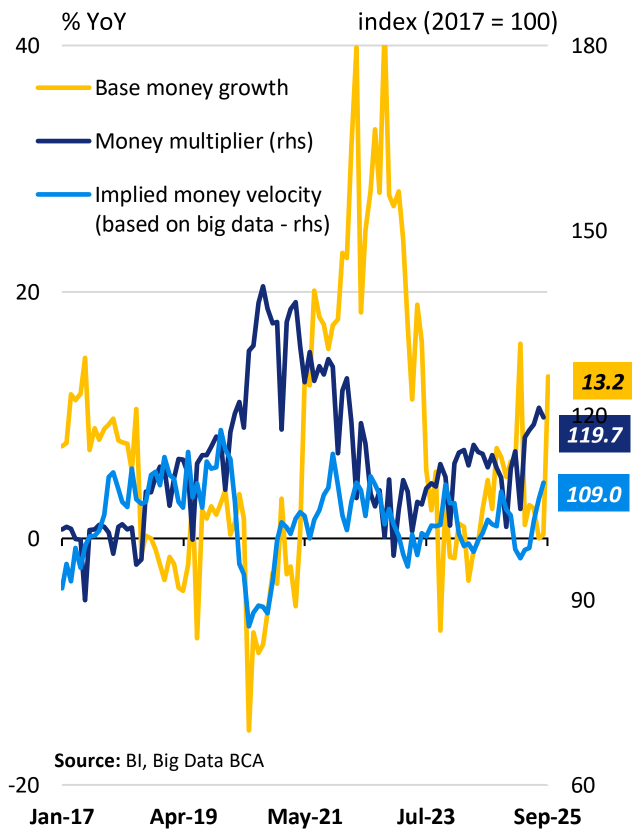


Source: BPS

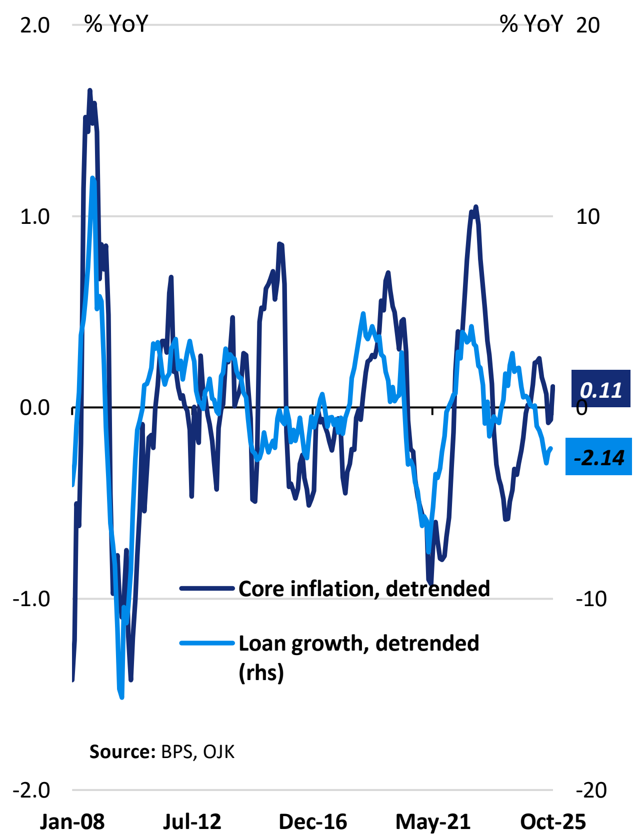


Source: BPS

2 Stable core inflation suggests that much still needs to be done to boost loan growth

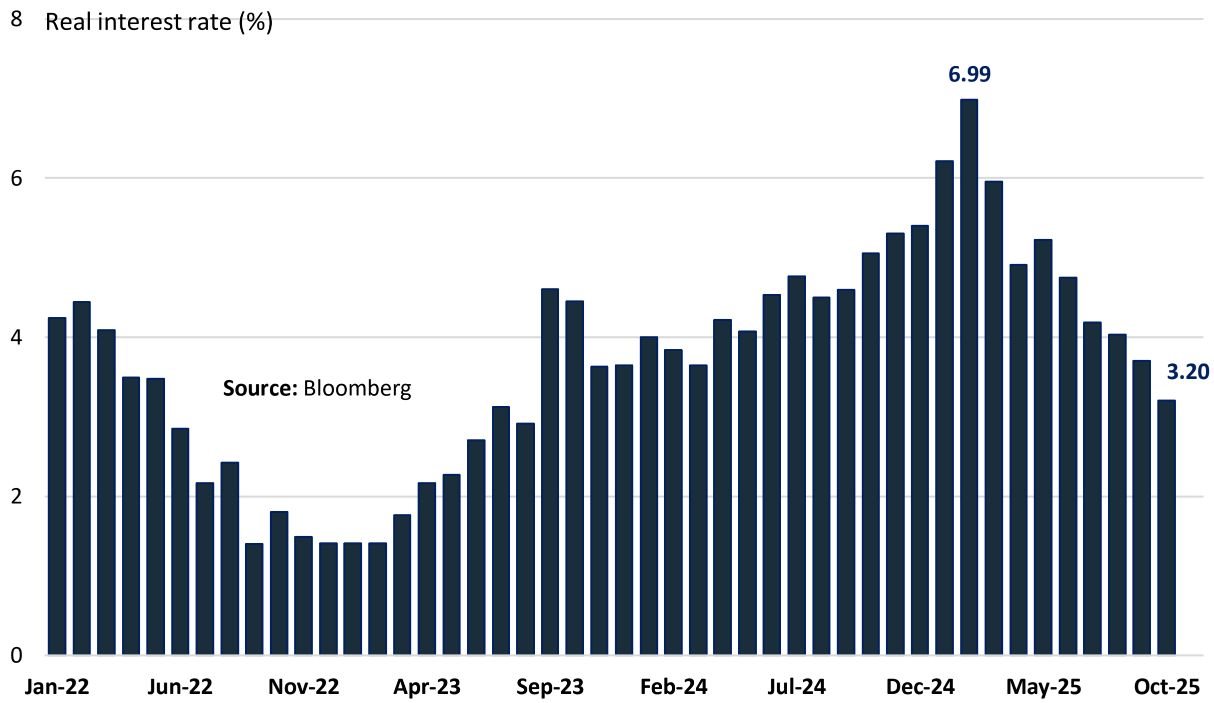


Source: BI, Big Data BCA

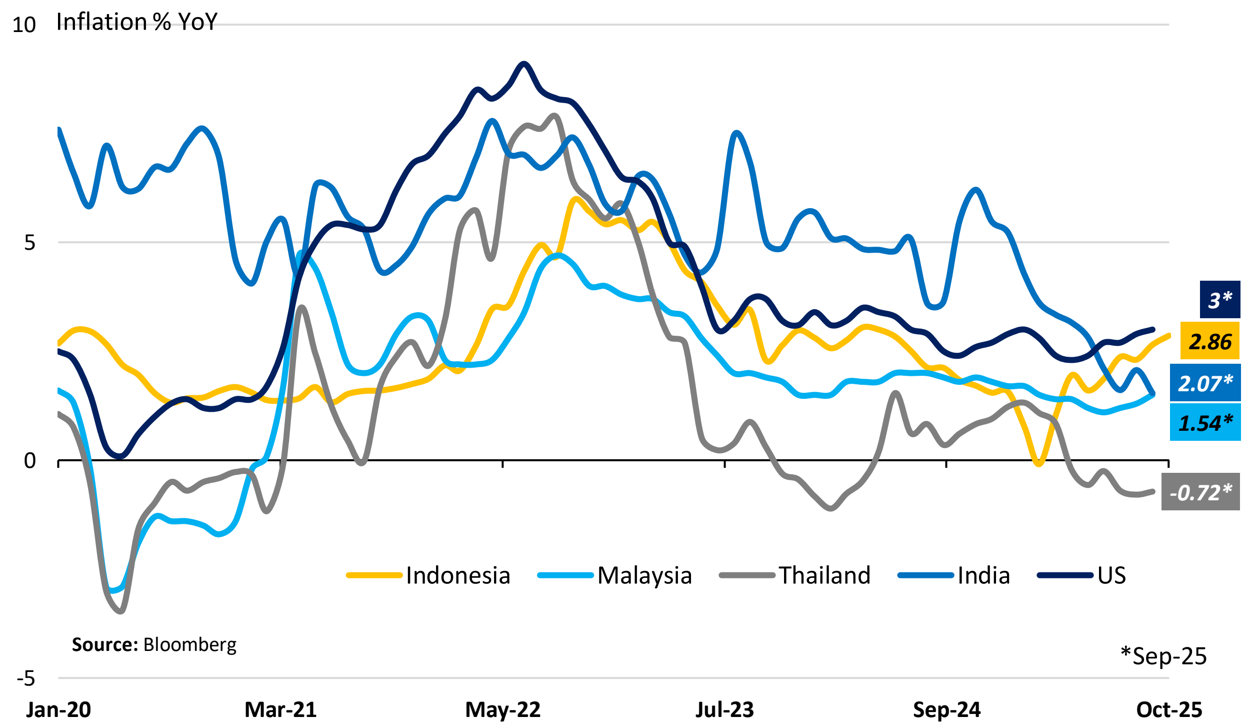


Source: BPS, OJK

3 Declining real interest rate creates favorable conditions for credit growth



4 Rising inflationary pressures in Indonesia does not seem to be a global trend



Selected Macroeconomic Indicators

Key Policy Rates	Rate (%)	Last Change	Real Rate (%)
US	4.00	Oct-25	1.00
UK	4.00	Aug-25	0.20
EU	2.15	Jun-25	0.05
Japan	0.50	Jan-25	-2.40
China (lending)	2.00	Sep-24	4.65
Korea	2.50	May-25	0.40
India	5.50	Jun-25	3.96
Indonesia	4.75	Sep-25	1.89

Money Mkt Rates	31-Oct	-1 mth	Chg (bps)
SPN (1Y)	4.64	5.05	-41.2
SUN (10Y)	6.06	6.35	-28.9
INDONIA (O/N, Rp)	4.00	3.99	1.1
JIBOR 1M (Rp)	5.09	5.16	-7.6

Bank Rates (Rp)	Aug	Jul	Chg (bps)
Lending (WC)	8.55	8.61	-6.00
Deposit 1M	5.24	5.36	-12.00
Savings	0.70	0.68	2.00

Currency/USD	31-Oct	-1 mth	Chg (%)
UK Pound	0.760	0.744	-2.19
Euro	0.867	0.852	-1.68
Japanese Yen	154.0	147.9	-3.95
Chinese RMB	7.119	7.122	0.04
Indonesia Rupiah	16,630	16,665	0.21

Capital Mkt	31-Oct	-1 mth	Chg (%)
JCI	8,163.9	8,061.1	1.28
DJIA	47,562.9	46,397.9	2.51
FTSE	9,717.3	9,350.4	3.92
Nikkei 225	52,411.3	44,932.6	16.64
Hang Seng	25,906.7	26,855.6	-3.53

Foreign portfolio ownership (Rp Tn)	Sep	Aug	Chg (Rp Tn)
Stock	3,846.5	3,760.3	86.20
Govt. Bond	912.8	1,213.4	-300.66
Corp. Bond	4.1	4.5	-0.40

Trade & Commodities	31-Oct	-1 mth	Chg (%)
Baltic Dry Index	1,966.0	2,134.0	-7.9
S&P GSCI Index	557.0	550.0	1.3
Oil (Brent, $/brl)	65.1	67.0	-2.9
Coal ($/MT)	112.7	112.1	0.6
Gas ($/MMBtu)	3.57	3.12	14.4
Gold ($/oz.)	4,002.9	3,859.0	3.7
Copper ($/MT)	10,873.1	10,225.5	6.3
Nickel ($/MT)	15,021.2	15,051.6	-0.2
CPO ($/MT)	1,006.5	1,017.8	-1.1
Rubber ($/kg)	1.75	1.74	0.6

External Sector	Aug	Jul	Chg (%)
Export ($ bn)	24.96	24.75	0.87
Import ($ bn)	19.48	20.58	-5.35
Trade bal. ($ bn)	5.49	4.17	31.50
Central bank reserves ($ bn)*	150.7	152.0	-0.84

Prompt Indicators	Sep	Aug	Jul
Consumer confidence index (CCI)	115.0	117.2	118.1
Car sales (%YoY)	-15.1	-19.0	-18.4
Motorcycle sales (%YoY)	7.3	0.7	-0.5

Manufacturing PMI	Oct	Sep	Chg (bps)
USA	52.2	52.0	20
Eurozone	50.0	49.8	20
Japan	48.3	48.5	-20
China	50.6	51.2	-60
Korea	49.4	50.7	-130
Indonesia	51.2	50.4	80

Source: Bloomberg, BI, BPS
Notes:
*Data from earlier period
For changes in currency: **Black indicates appreciation against USD, **Red** otherwise
***For PMI, **>50** indicates economic expansion, **<50** otherwise

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Indonesia – Economic Indicators Projection

	2019	2020	2021	2022	2023	2024	2025E
Real GDP growth (% YoY)	5.0	-2.1	3.7	5.3	5.0	5.0	5.0
Nominal GDP growth (% YoY)	6.7	-2.5	9.9	15.4	6.7	6.0	7.2
GDP per capita (USD)	4175	3912	4350	4784	4920	4960	5100
CPI inflation (% YoY)	2.7	1.7	1.9	5.5	2.6	1.6	2.8
BI Rate (%)	5.00	3.75	3.50	5.50	6.00	6.00	4.50
SBN 10Y yield (%)	7.04	5.86	6.36	6.92	6.45	6.97	6.32
USD/IDR exchange rate (average)	14,141	14,529	14,297	14,874	15,248	15,841	16,461
USD/IDR exchange rate (end of year)	13,866	14,050	14,262	15,568	15,397	16,102	16,625
Trade balance (USD Bn)	-3.2	21.7	35.3	54.5	37.0	31.0	26.0
Current account balance (% of GDP)	-2.7	-0.4	0.3	1.0	-0.1	-0.6	-0.75

Notes:

- *USD/IDR exchange rate projections are for fundamental values; market values may diverge significantly at any moment in time*

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