CPI:

Flying off the handle

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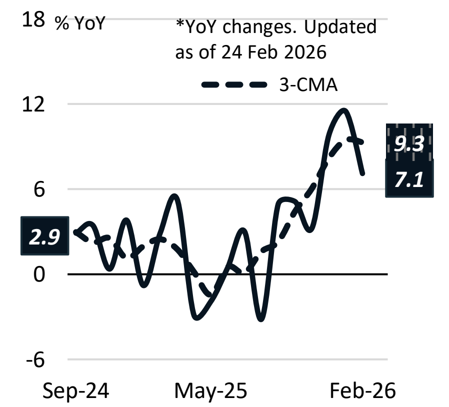
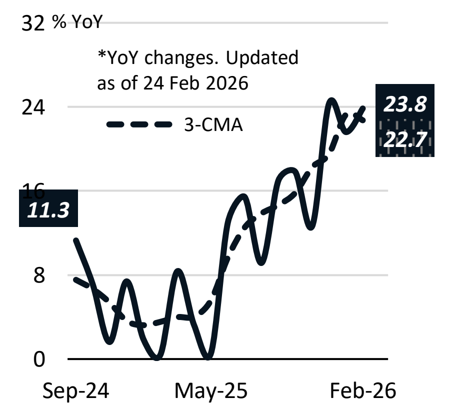
BCA Consumer Spending Index*

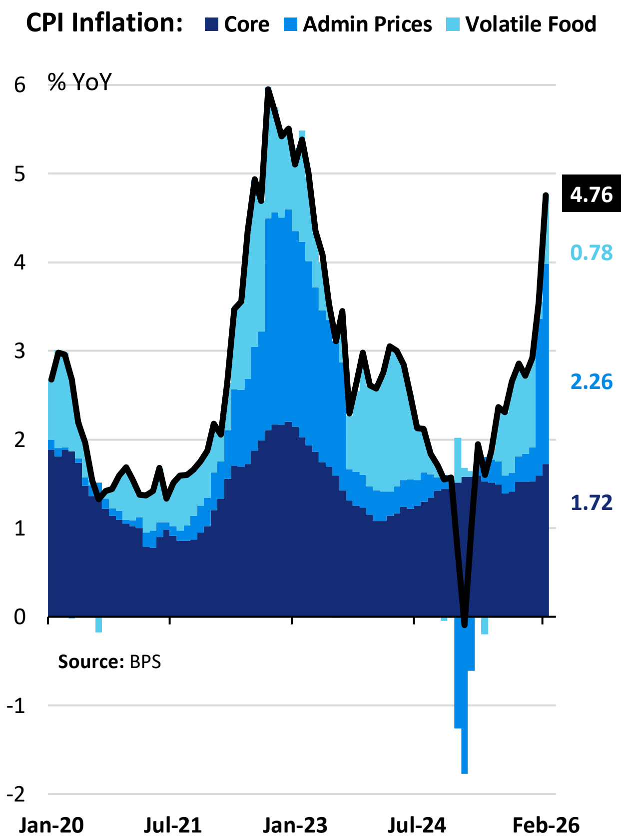


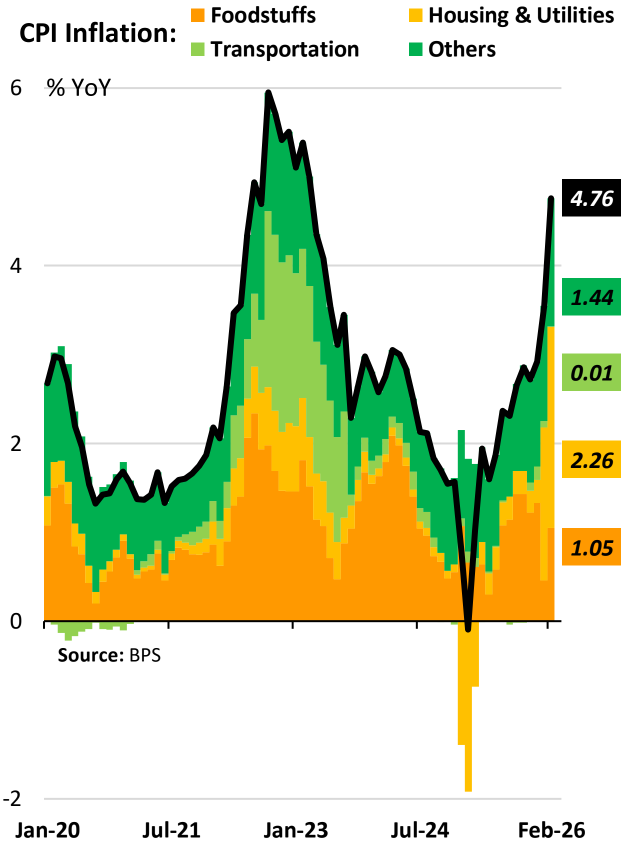
BCA Business Transaction Index*



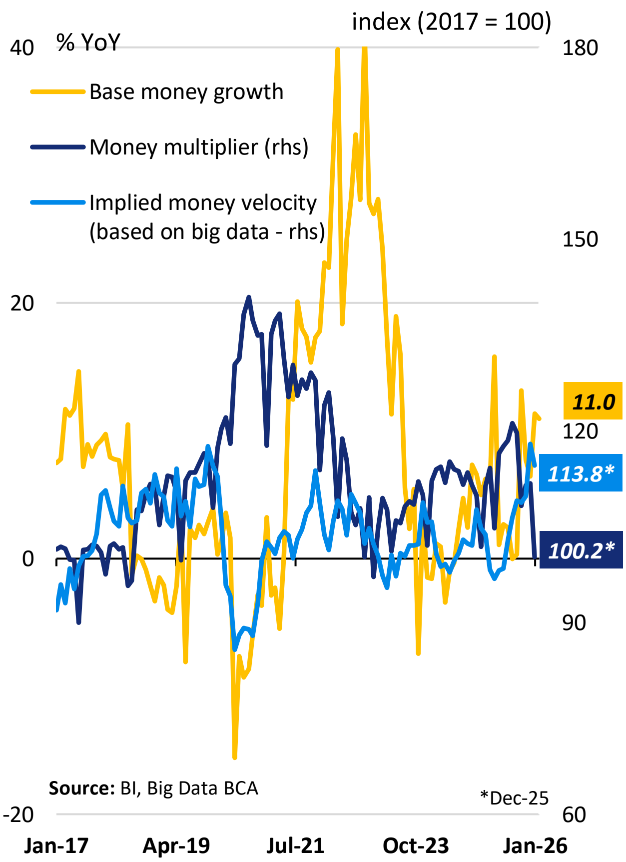
- **Indonesia's inflation reading came out hot in February 2026, settling above Bank Indonesia's target range at 4.76% YoY (0.68% MoM)**. As before, the low-base effect due to last year's electricity discount explains the galloping headline number ***(see Chart 1)***, while rising gold prices also remain a major contributing factor behind the accelerating core inflation.
- **Excluding gold, core inflation remains stable at around 0.66% YoY**, signifying an improvement in the outlook for private consumption and loans as the downward trend that has persisted throughout the past year may have been broken. Indeed, private consumption has become more active recently, with multiple indicators showing a stronger reading.
- However, there is no guarantee that the recently strong domestic aggregate demand will extend beyond the ongoing festive Ramadan period. **The recent inflation reading also reveals a pickup in the food, beverages, and tobacco component** (3.51% YoY, 0.45% MoM), posing a risk to households' disposable income and ability to maintain discretionary consumption.
- **The task of the government, then, is to prevent inflation from rising further** and detrimentally affecting the recovery in household consumption. The government may look to stabilise prices by allowing more food imports in the upcoming months, as the price pressure largely stems from higher domestic demand (which is partly influenced by the government's priority programmes).
- Alas, rising food prices are a smaller part of the government's current problem. **Rising oil prices following the US-Israeli aggression against Iran (+9.55% as of today) pose a bigger threat**, given the state budget's sensitivity to rising oil prices. The hefty fiscal burden needed to stabilise domestic prices may also validate foreign investors' concerns over Indonesia, potentially pinning the Rupiah lower and driving the cost of imports higher.
- Most other Asian economies also share the problem now facing Indonesia, as the current geopolitical situation uniquely exposes Asia and other net fuel importers. In a worst-case scenario of prolonged conflict and wider supply chain disruptions, **rate hikes may be the likelier next course for most Asian central banks**, as efforts to support domestic economies may require inflation and exchange rates to first remain stable. As such, BI may already be at the end of its rate-cutting cycle, although pressure on fiscal space may force the central bank to remain active in the sovereign bond market.

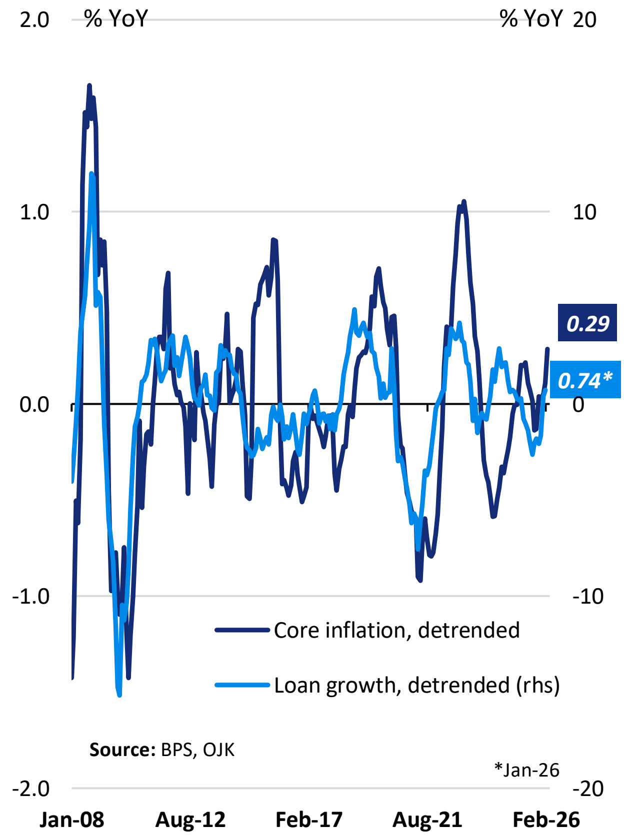
1 **The low-base effect and higher food prices** send inflation above BI's target range



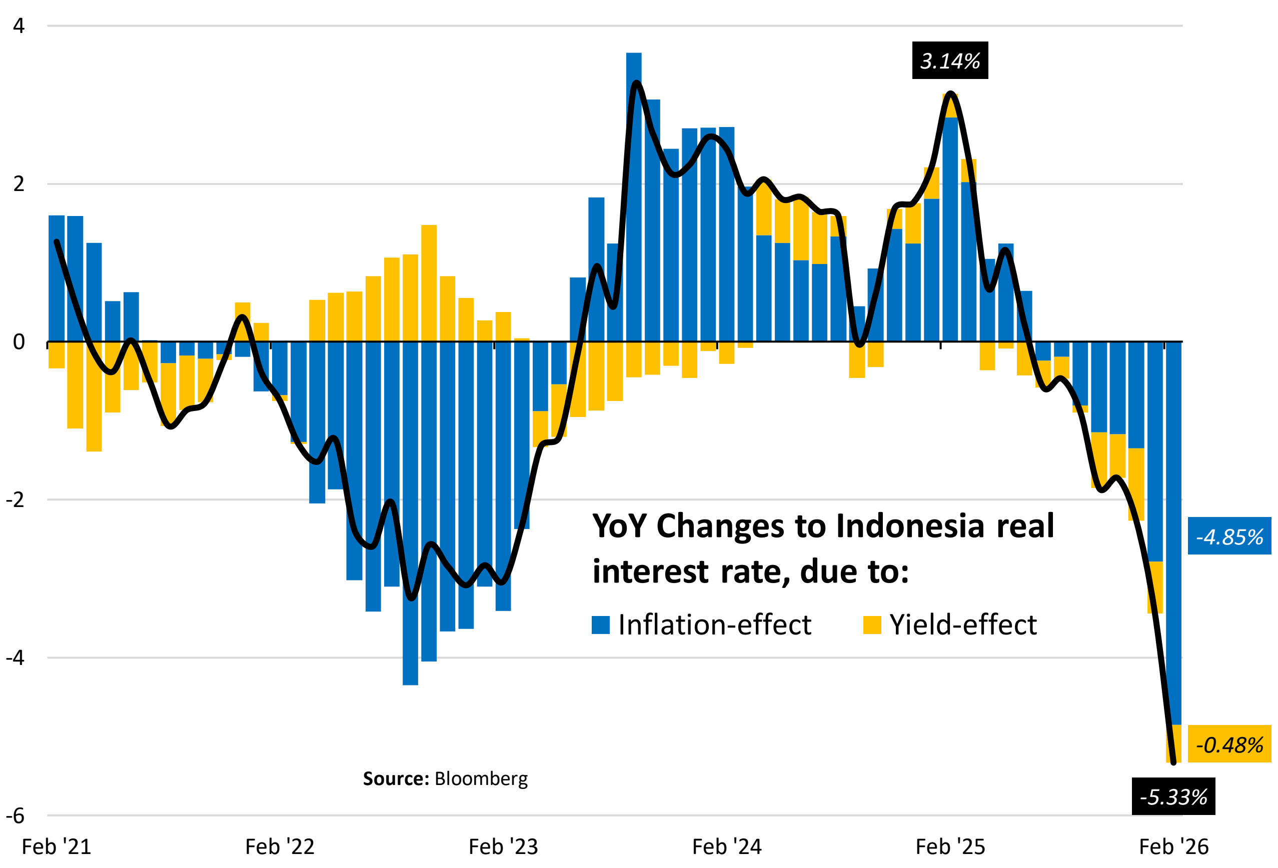


2 **Accelerating money velocity signal further inflationary pressures**

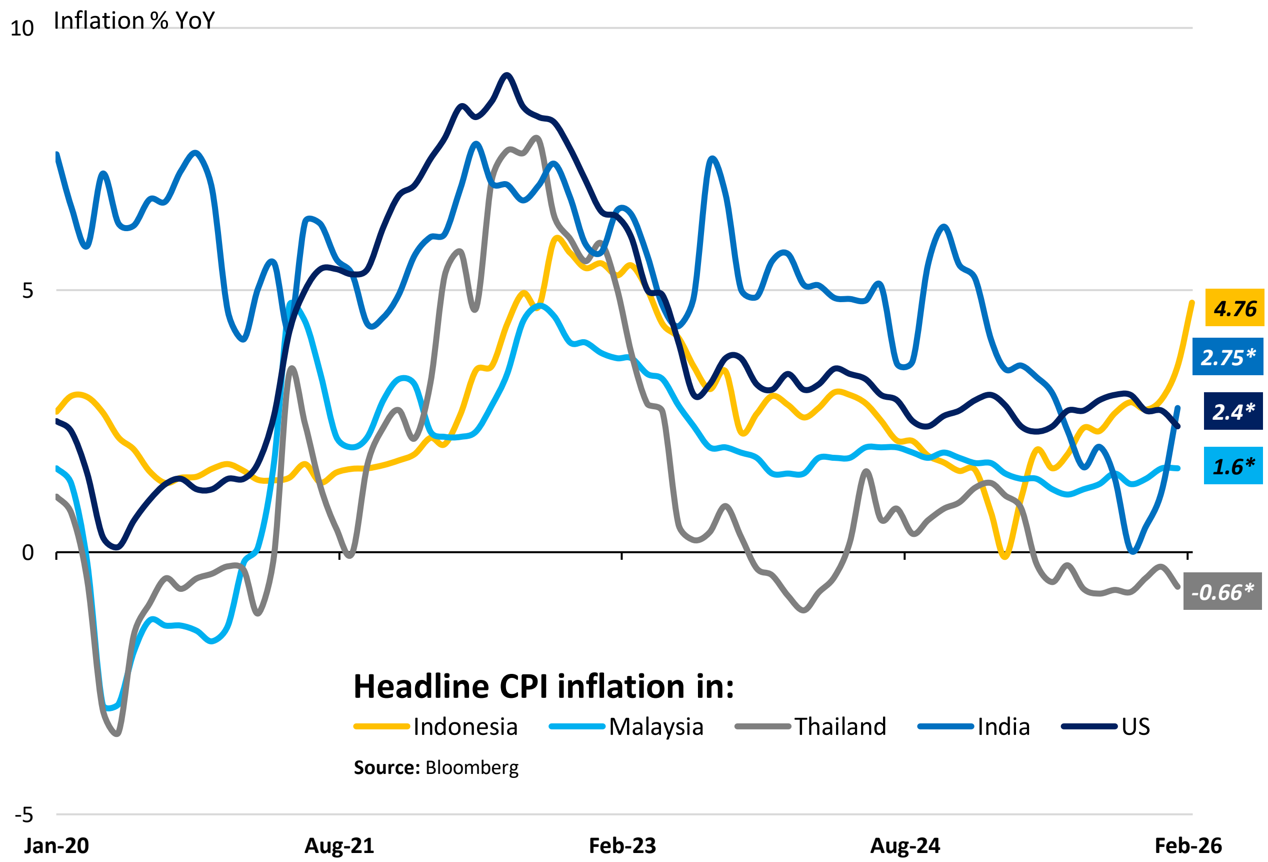




3 Higher inflation sends Indonesia's real interest rate lower, **a threat to the Rupiah**



4 **Higher oil prices may drive up inflation in most Asian economies**



Selected Macroeconomic Indicators

Key Policy Rates	Rate (%)	Last Change	Real Rate (%)
US	3.75	Dec-25	1.35
UK	3.75	Dec-25	0.75
EU	2.15	Jun-25	0.45
Japan	0.75	Dec-25	-0.75
China (lending)	2.00	Sep-24	4.15
Korea	2.50	May-25	0.50
India	5.25	Dec-25	2.50
Indonesia	4.75	Sep-25	-0.01

Money Mkt Rates	27-Feb	-1 mth	Chg (bps)
SPN (1Y)	4.82	4.26	55.3
SUN (10Y)	6.41	6.34	7.4
INDONIA (O/N, Rp)	4.24	3.70	53.7
JIBOR 1M (Rp)	5.03	5.03	0.0

Bank Rates (Rp)	Jun	May	Chg (bps)
Lending (WC)	8.62	8.64	-2.00
Deposit 1M	4.89	4.86	2.28
Savings	0.71	0.70	0.82

Currency/USD	27-Feb	-1 mth	Chg (%)
UK Pound	0.742	0.722	-2.65
Euro	0.847	0.830	-1.90
Japanese Yen	156.1	152.2	-2.46
Chinese RMB	6.862	6.955	1.34
Indonesia Rupiah	16,771	16,766	-0.03

Capital Mkt	27-Feb	-1 mth	Chg (%)
JCI	8,235.5	8,980.2	-8.29
DJIA	48,977.9	49,003.4	-0.05
FTSE	10,910.6	10,207.8	6.88
Nikkei 225	58,850.3	53,333.5	10.34
Hang Seng	26,630.5	27,127.0	-1.83

Foreign portfolio ownership (Rp Tn)	Jan	Dec	Chg (Rp Tn)
Stock	4,021.0	4,186.7	-165.77
Govt. Bond	878.8	1,327.7	-448.97
Corp. Bond	5.2	4.7	0.53

Trade & Commodities	27-Feb	-1 mth	Chg (%)
Baltic Dry Index	2,140.0	1,999.0	7.1
S&P GSCI Index	610.9	592.5	3.1
Oil (Brent, $/brl)	72.5	67.6	7.3
Coal ($/MT)	118.5	109.0	8.7
Gas ($/MMBtu)	2.98	17.18	-82.7
Gold ($/oz.)	5,278.9	5,180.2	1.9
Copper ($/MT)	13,294.0	12,912.7	3.0
Nickel ($/MT)	17,640.8	17,954.7	-1.7
CPO ($/MT)	1,032.3	1,048.5	-1.5
Rubber ($/kg)	2.03	1.88	8.0

External Sector	Jan	Dec	Chg (%)
Export ($ bn)	22.16	26.35	-15.91
Import ($ bn)	21.20	23.83	-11.05
Trade bal. ($ bn)	0.95	2.51	-62.02
Central bank reserves ($ bn)*	154.6	156.5	-1.21

Prompt Indicators	Jan	Dec	Nov
Consumer confidence index (CCI)	127.0	123.5	124.0
Car sales (%YoY)	7.0	17.9	-1.0
Motorcycle sales (%YoY)	3.1	14.5	2.1

Manufacturing PMI	Dec	Nov	Chg (bps)
USA	51.8	52.2	-40
Eurozone	48.8	49.6	-80
Japan	50.0	48.7	130
China	50.1	49.9	20
Korea	50.1	49.4	70
Indonesia	51.2	53.3	-210

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

	2020	2021	2022	2023	2024	2025E	2026E
Real GDP growth (% YoY)	-2.1	3.7	5.3	5.0	5.0	5.1	5.1
Nominal GDP growth (% YoY)	-2.5	9.9	15.4	6.7	6.0	7.6	7.9
GDP per capita (USD)	3912	4350	4784	4920	4960	5083	5362
CPI inflation (% YoY)	1.7	1.9	5.5	2.6	1.6	2.9	2.5
BI Rate (%)	3.75	3.50	5.50	6.00	6.00	4.75	4.50
SBN 10Y yield (%)	5.86	6.36	6.92	6.45	6.97	6.05	6.50
USD/IDR exchange rate (average)	14,529	14,297	14,874	15,248	15,841	16,468	16,784
USD/IDR exchange rate (end of year)	14,050	14,262	15,568	15,397	16,102	16,690	16,842
Trade balance (USD Bn)	21.7	35.3	54.5	37.0	31.0	41.1	33.8
Current account balance (% of GDP)	-0.4	0.3	1.0	-0.1	-0.6	-0.1	-0.4

Notes:

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

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