CPI:
Relief over the summer?

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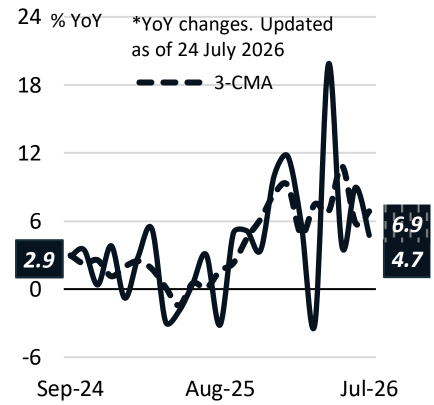
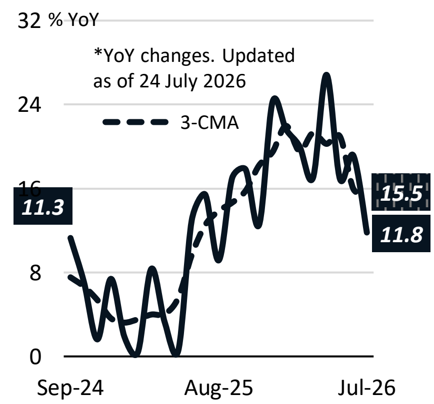
BCA Consumer Spending Index*

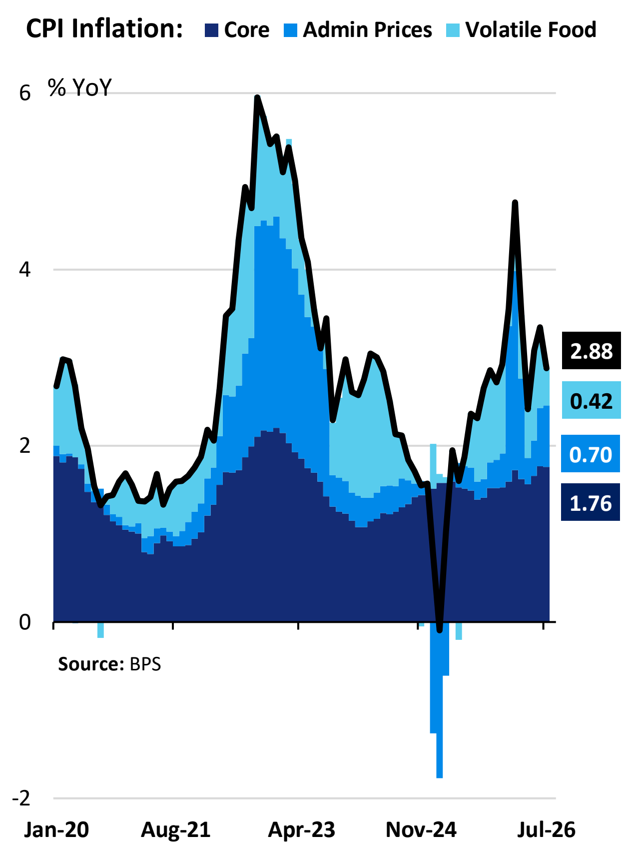


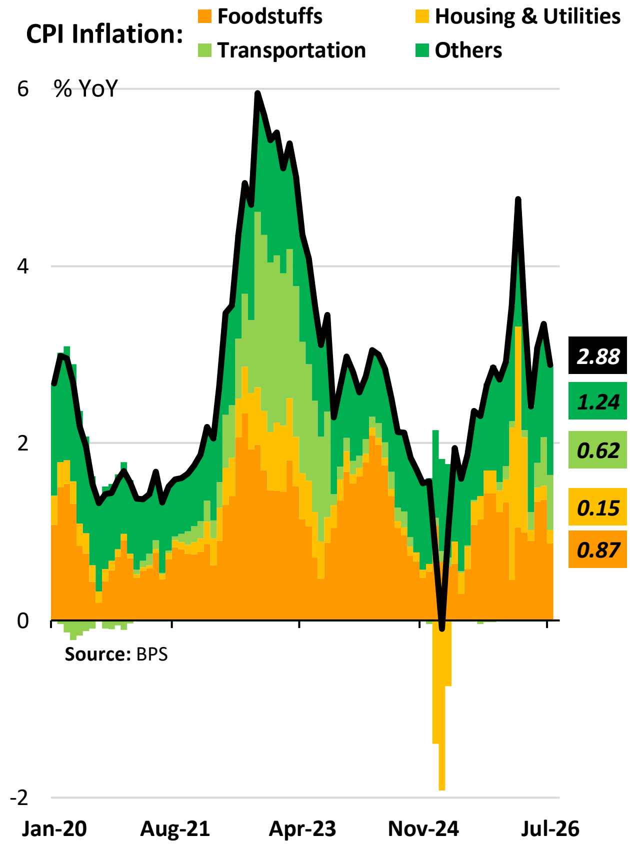
BCA Business Transaction Index*



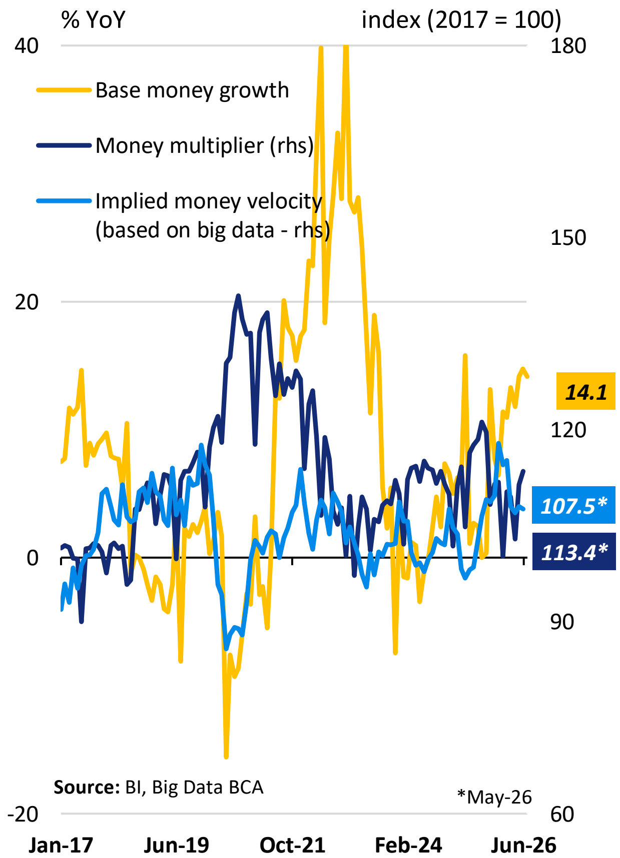
- **Indonesia's CPI inflation declined to 2.88% YoY (-0.14% MoM) in Jul-26, compared to 3.34% YoY (0.44% MoM) in Jun-26**. While some seasonal factors during the month have helped keep prices down, the deeper decline in prices could be attributed to a pause in the Free Lunch Program.
- Focusing on the monthly figures will provide some clarity regarding the seasonal forces. While **volatile food prices recorded a deflation** (-1.68% MoM) during July, **education costs rose** (0.55% MoM). These fluctuations could be explained by the start of crop harvests and the school year, respectively.
- On a yearly basis, we mainly see a **deceleration in food but an uptick in transportation prices.** The decelerating food inflation may be caused by the pausing of the Free Lunch program during school holidays, shutting off a significant source of demand. Meanwhile, the accelerating energy inflation could be sparked by Pertamax's price increase on the 10th of June, meaning that the month would only record 2/3 of the inflation effect (as opposed to July, which recorded it fully).
- In contrast to the sharp decline in headline inflation, however, **core inflation has stayed stable** (2.76% YoY), even accelerating once we consider the fading impact of gold inflation. Combined with the still-high interbank rate during the period, **it's likely July's credit growth will remain robust**.
- An important question remains, however: **will these disinflationary forces persist for the foreseeable future?** There are reasons to remain skeptical. First, the war in the Middle East has expanded with the Houthis' blockade of Bab El-Mandeb to Saudi Arabia, potentially increasing the disruption in oil supply. Second, the current El Niño climate, starting in Q3-26 is expected to last until early 2027, hampering the next planting period at a time of increased food demand. Third, Indonesia is likely to record a higher CAD this year (with Q2-26 trade deficit reaching USD 2 Bn), adding further pressure on inflation through Rupiah depreciation.
- With the still-existent upside risks to inflation, **we still expect BI to act hawkish, with 1-2 more hikes this year.** Indeed, the recent resignation of Mr. Perry Warjiyo from BI has resulted in additional uncertainty over BI's monetary policy trajectory, especially in balancing its multiple mandates. However, such potential pressures from inflation might compel the newly instated governor to commit to the pro-stability track for the time being.

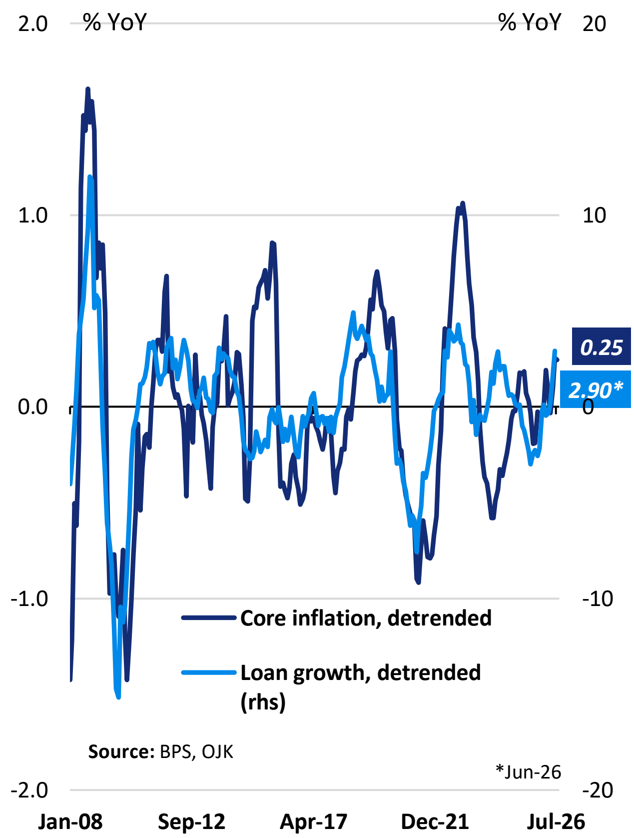
1 Declining inflation in July was mainly driven by lower food prices



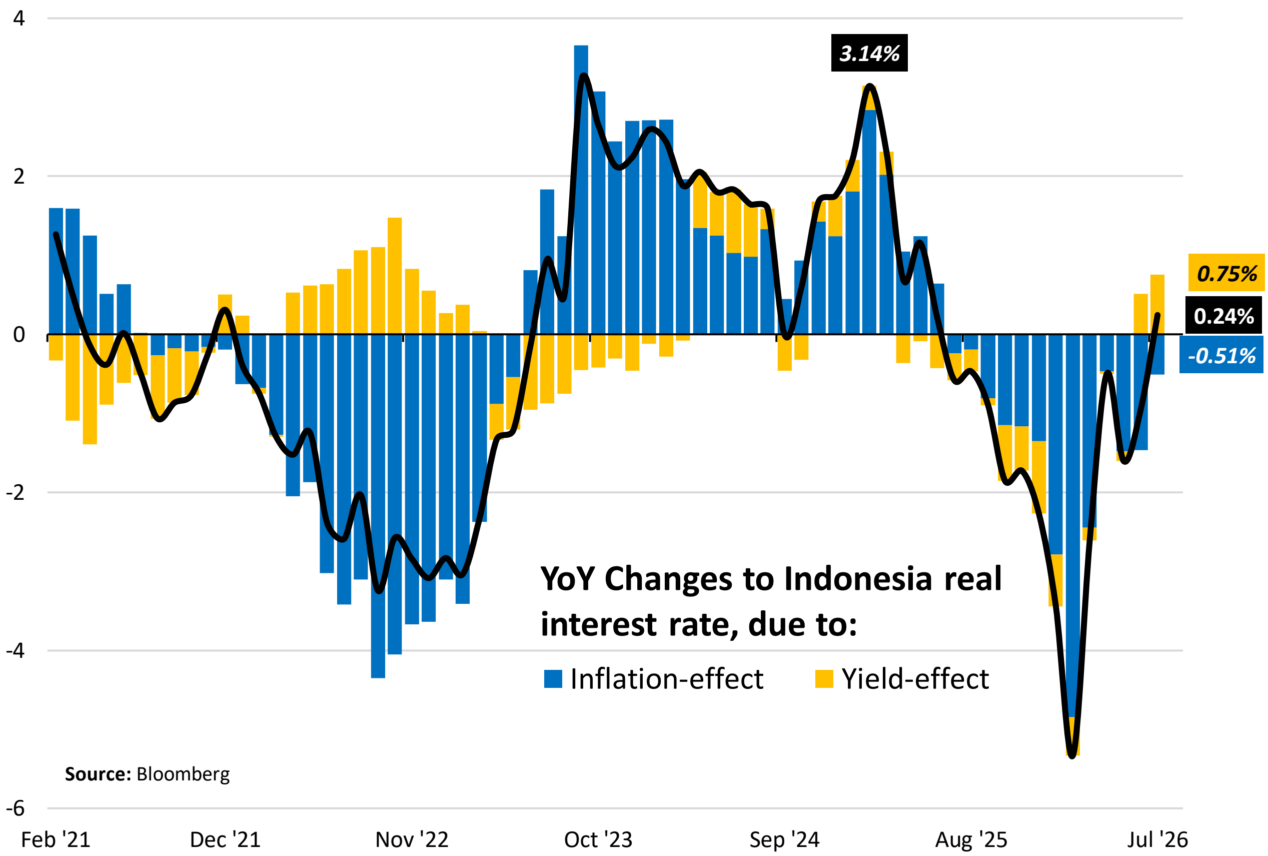


2 Loan growth is rising alongside ex-gold core inflation



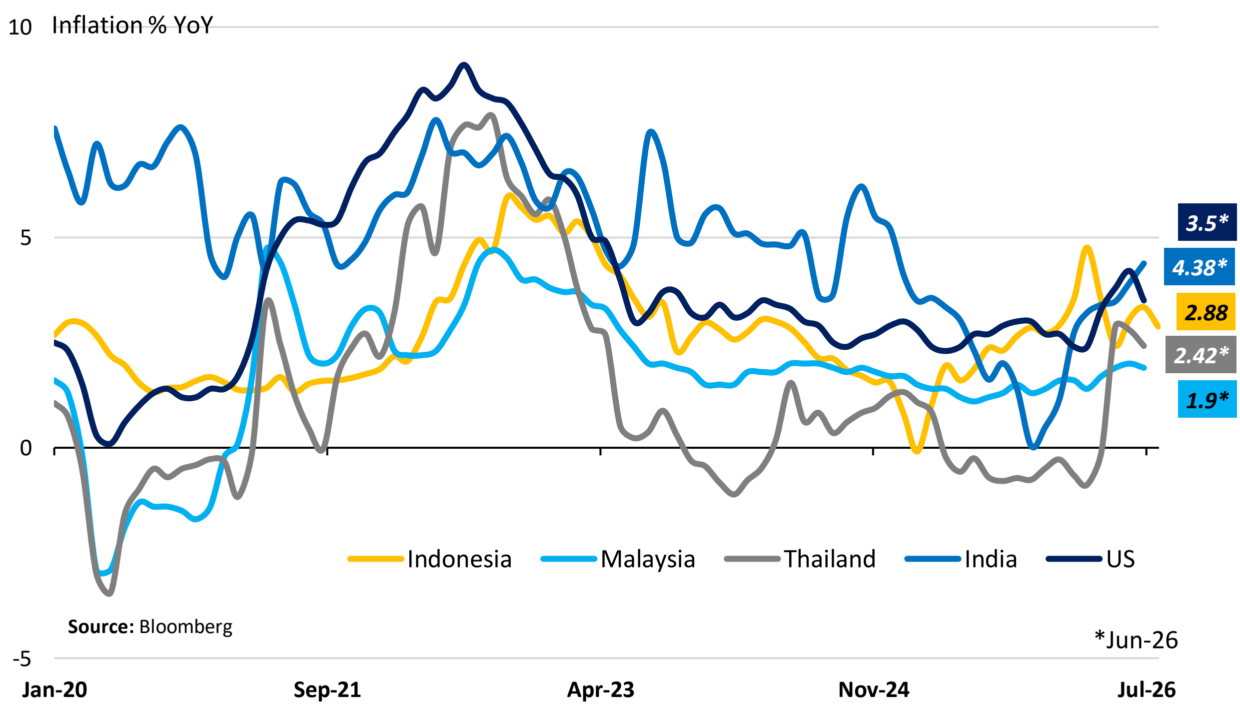


3 Indonesia's real interest rates rose on the backs higher yield-effect and lower inflation



Source: Bloomberg

4 Indonesia's inflation declined in July amidst the ongoing energy crisis



Source: Bloomberg

Selected Macroeconomic Indicators

Key Policy Rates	Rate (%)	Last Change	Real Rate (%)
US	3.75	Dec-25	0.25
UK	3.75	Dec-25	1.15
EU	2.40	Jun-26	-0.50
Japan	1.00	Jun-26	-0.70
China (lending)	2.00	Sep-24	3.35
Korea	2.75	Jul-26	-0.45
India	5.25	Dec-25	0.87
Indonesia	5.75	Jun-26	2.87

Money Mkt Rates	31-Jul	-1 mth	Chg (bps)
SPN (1Y)	7.45	7.63	-17.5
SUN (10Y)	7.31	7.13	17.9
INDONIA (O/N, Rp)	6.23	6.00	22.7
JIBOR 1M (Rp)	5.03	5.03	0.0

Bank Rates (Rp)	May	Apr	Chg (bps)
Lending (WC)	7.95	7.96	-1.00
Deposit 1M	4.52	4.48	4.00
Savings	0.68	0.68	0.00

Currency/USD	31-Jul	-1 mth	Chg (%)
UK Pound	0.742	0.754	1.67
Euro	0.868	0.876	0.92
Japanese Yen	157.4	162.6	3.27
Chinese RMB	6.753	6.787	0.50
Indonesia Rupiah	18,000	17,882	-0.66

Capital Mkt	31-Jul	-1 mth	Chg (%)
JCI	6,236.1	5,643.2	10.51
DJIA	52,485.0	52,319.2	0.32
FTSE	10,868.1	10,497.1	3.53
Nikkei 225	64,362.0	70,062.3	-8.14
Hang Seng	25,884.4	22,881.0	13.13

Foreign portfolio ownership (Rp Tn)	Jul	Jun	Chg (Rp Tn)
Stock	2,805.0	2,573.5	231.50
Govt. Bond	892.0	885.7	6.39
Corp. Bond	5.6	5.7	-0.08

Trade & Commodities	31-Jul	-1 mth	Chg (%)
Baltic Dry Index	2,732.0	2,501.0	9.2
S&P GSCI Index	686.1	619.4	10.8
Oil (Brent, $/brl)	90.1	72.9	23.6
Coal ($/MT)	138.4	131.5	5.2
Gas ($/MMBtu)	2.59	3.32	-21.9
Gold ($/oz.)	4,046.2	4,008.0	1.0
Copper ($/MT)	13,835.7	13,348.9	3.6
Nickel ($/MT)	17,064.4	16,088.4	6.1
CPO ($/MT)	1,099.8	1,104.4	-0.4
Rubber ($/kg)	2.18	2.13	2.3

External Sector	Jun	May	Chg (%)
Export ($ bn)	25.46	23.20	9.72
Import ($ bn)	25.91	24.81	4.41
Trade bal. ($ bn)	-0.45	-1.61	-72.02
Central bank reserves ($ bn)*	145.6	144.9	0.48

Prompt Indicators	Jun	May	Apr
Consumer confidence index (CCI)	117.8	120.9	123.0
Car sales (%YoY)	32.9	14.0	55.0
Motorcycle sales (%YoY)	1.1	-5.1	28.1

Manufacturing PMI	Jul	Jun	Chg (bps)
USA	53.8	53.9	-10
Eurozone	52.0	51.4	60
Japan	54.5	54.8	-30
China	50.9	51.7	-80
Korea	53.1	52.1	100
Indonesia	50.2	46.9	330

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	2025	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	9.0
GDP per capita (USD)	3912	4350	4784	4920	4960	5083	5128
CPI inflation (% YoY)	1.7	1.9	5.5	2.6	1.6	2.9	4.5
BI Rate (%)	3.75	3.50	5.50	6.00	6.00	4.75	6.25
SBN 10Y yield (%)	5.86	6.36	6.92	6.45	6.97	6.05	8.01
USD/IDR exchange rate (average)	14,529	14,297	14,874	15,248	15,841	16,468	17,600
USD/IDR exchange rate (end of year)	14,050	14,262	15,568	15,397	16,102	16,690	18,171
Trade balance (USD Bn)	21.7	35.3	54.5	37.0	31.0	41.1	19.2
Current account balance (% of GDP)	-0.4	0.3	1.0	-0.1	-0.6	-0.1	-1.3

Notes:

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

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