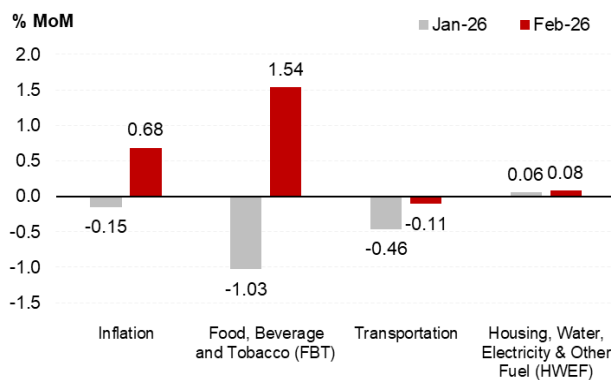


Indonesia Consumer Price Index (Feb 26)

Inflation spike clouds policy path as BI turns defensive amid geopolitical risks

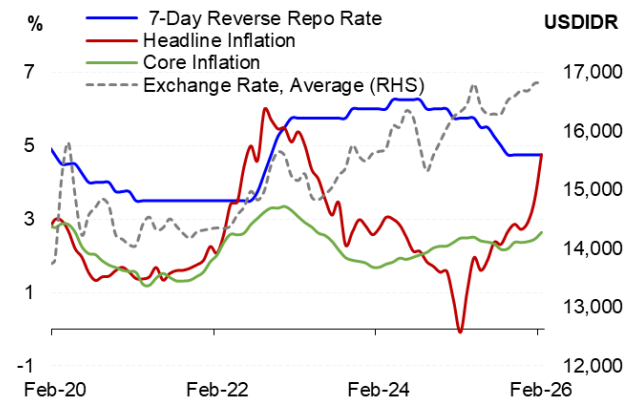
- Indonesia’s headline inflation rose to 4.76% YoY in February (Jan: 3.55%). This breached Bank Indonesia’s (BI) 1.5% - 3.5% target band and exceeded consensus (4.3%)**
 - MoM (0.68%; Jan: -0.15%): Rebounded to a ten-month high, after contracting in the previous month.
 - Core inflation (2.63% YoY; Jan: 2.45%): Rose to its highest level in nearly three years, amid firm domestic demand.
- The expiry of electricity-tariff discount, rising gold prices and higher food costs pushed headline inflation higher**
 - Housing, water, electricity & other fuel (16.19%; Jan: 11.93%): Jumped to a record high after last year’s temporary electricity tariff discount expired, creating a sharp low-base effect.
 - Personal care & other services (16.66%; Jan: 15.22%): Rose to a record high, due to higher gold jewellery prices.
 - Food, beverage & tobacco (3.51%; Jan: 1.54%): Expanded on higher prices for fresh fish, broiler chicken, rice, shallots, and cigarettes.
 - Transportation (0.12%; Jan: -0.46%): Rebounded slightly due to higher vehicle purchase costs and increased passenger transport and delivery charges.
- Inflation across selected Southeast Asian economies remained relatively low in January**
 - Thailand (-0.7%; Dec: -0.3%): Declined for the tenth straight month due to lower energy prices and government subsidies. Nevertheless, the government expects prices to rebound in April.
 - Singapore (1.4%; Dec: 1.2%): Expanded in January, driven by higher accommodation costs, partly offset by lower private transport inflation.
- 2026 inflation outlook retained at 2.5% (2025: 1.9%) despite the February spike**
 - Inflation dynamics:** Near-term inflation is likely to stay elevated due to festive spending during Ramadhan and Eid al-Fitr, along with the effects of last year’s policy changes and lingering base effects. Price pressures should ease from April onward as seasonal demand normalises and one-off factors fade.
 - Monetary policy outlook:** We now expect BI to maintain a defensive policy stance and hold rates at its next Board of Governors meeting, prioritising currency stability amid rising geopolitical tensions linked to the US-Israel attack on Iran. This marks a shift from our earlier view that rate cuts would resume in March. The scope for further easing this year has narrowed due to a weaker Rupiah, fragile investor sentiment, and elevated geopolitical uncertainty, all of which limit BI’s policy flexibility.

Graph 1: CPI by Main Categories



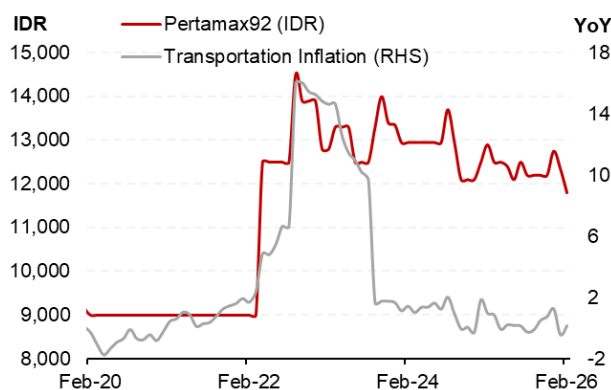
Source: BPS, Macrobond, Kenanga Research

Graph 2: Inflation vs. Policy Rate and Rupiah



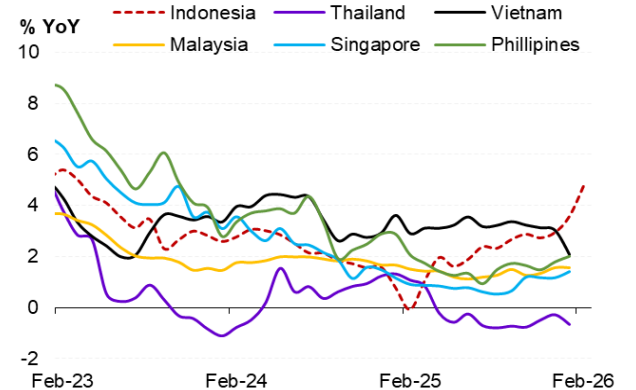
Source: BPS, Macrobond, Kenanga Research

Graph 3: Pertamina92 vs Transportation Inflation



Source: BPS, Bloomberg, Macrobond, Kenanga Research

Graph 4: Regional Inflation Growth Trend



Source: BPS, Macrobond, Kenanga Research

02 March 2026

Table 1: Indonesia Consumer Price Index Growth Trend (% YoY)

Base 2018=100	weight	2023	2024	2025	Sep-25	Oct-25	Nov-25	Dec-25	Jan-26	Feb-26
CPI	100.00	3.73	2.30	1.91	2.65	2.86	2.72	2.92	3.55	4.76
Food, Beverage and Tobacco (FBT)	25.01	4.97	4.45	3.32	5.01	4.99	4.25	4.58	1.54	3.51
Housing, Water, Electricity & Other Fuel (HWEF)	20.45	1.83	0.54	-0.92	1.64	1.59	1.57	1.62	11.93	16.19
Transportation	12.38	8.81	0.96	0.40	-0.15	0.48	0.71	1.23	-0.46	0.12
Food and Beverage Provision/Restaurant	8.67	3.15	2.38	1.95	1.80	1.61	1.50	1.46	1.36	1.37
Household Equipment & Routine Maintenance (HHE)	5.97	2.38	1.04	0.61	0.30	0.23	0.23	0.20	0.16	0.21
Personal Care and Other Services (PCS)	5.89	4.32	5.29	9.82	9.59	11.87	12.49	13.33	15.22	16.66
Information, Comm & Financial Service (ICFS)	5.83	-0.24	-0.19	-0.31	-0.31	-0.25	-0.25	-0.28	-0.04	-0.09
Education	5.62	2.10	1.73	1.65	1.15	1.26	1.26	1.22	0.04	1.11
Clothing and Footwear (CF)	5.41	1.80	1.11	0.96	0.79	0.75	0.76	0.66	0.56	0.73
Health	2.62	1.99	1.82	1.90	2.01	2.11	2.09	1.83	1.62	1.61
Recreation, Sports, and Culture (RSC)	2.15	2.21	1.55	1.15	1.07	1.18	1.15	1.17	0.21	0.96
Core		2.43	1.96	2.36	2.19	2.36	2.36	2.38	2.45	2.63
Administered		7.22	1.35	-0.52	1.10	1.45	1.58	1.93	9.71	12.66
Volatile		5.57	4.88	3.09	6.44	6.59	5.48	6.21	1.14	4.64
Energy		8.02	-0.28	-3.30	-0.11	0.36	0.34	0.66	14.94	22.18

Source: BPS, Macrobond, Kenanga Research

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