

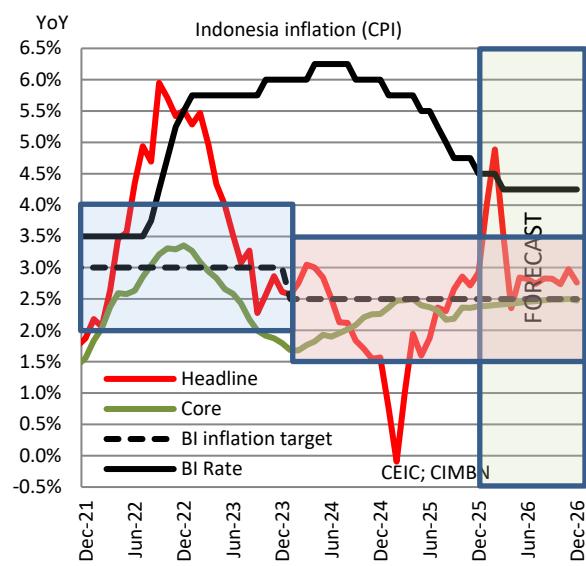
Indonesia's Inflation Recorded at 2.92% yoy in December 2025

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The forecast of Indonesia inflation and Bank Indonesia Rate



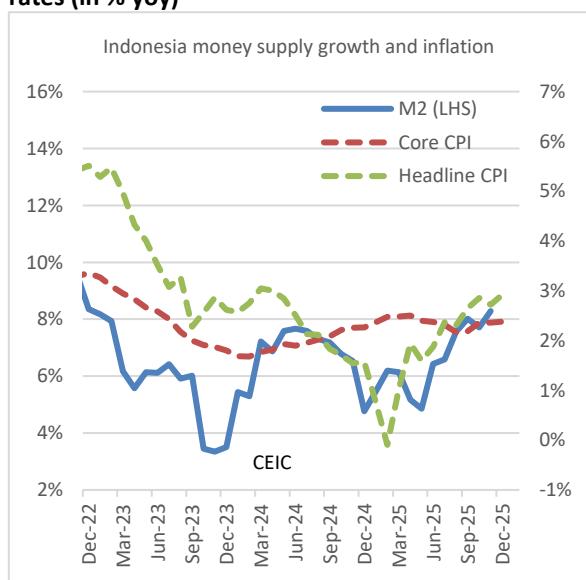
Indonesia's headline inflation in December 2025 stood at 2.92% year-on-year (yoy), representing a month-on-month (mom) increase of 0.64%. This figure marks the highest headline inflation rate in the past 20 months. This inflationary pressure coincided with severe flooding in Sumatra, as well as the Christmas and New Year holiday season. Nevertheless, December's inflation remains within Bank Indonesia's (BI) target range of 2.5% ± 1%.

Food items and the personal care and other services groups were the only categories to experience **significant price growth**, at 4.58% yoy and 13.33% yoy, respectively. In contrast, nine other categories of goods and services saw growth below 2.50% yoy, while the information, communication, and financial services group recorded deflation.

Core inflation, which serves as a proxy for aggregate demand, reached 2.38% yoy in December 2025, a slight increase from 2.26% yoy in December 2024. However, core inflation remains below the median of BI's inflation target. This core inflation figure would be substantially lower if personal care and other services were excluded. For context, core inflation carries a weight of approximately 65% in the headline inflation calculation.

Heightened inflationary pressure was accompanied by an **acceleration in broad money** (M2) growth. M2 grew by 8.29% yoy in November 2025, up from 6.53% yoy in November 2024.

Indonesia money supply (M2) growth and inflation rates (in % yoy)

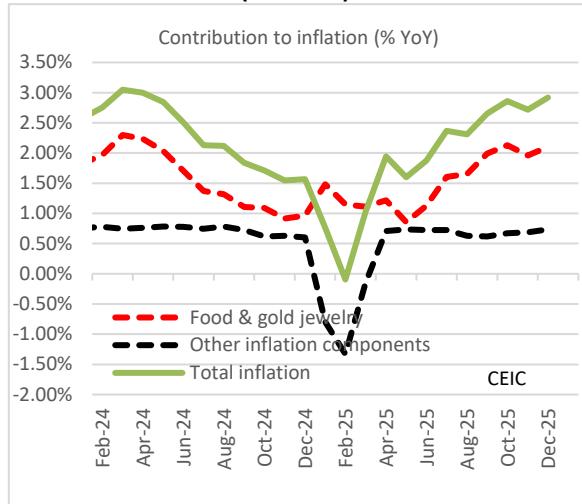


Since January 2024, **inflation calculations** have utilized 2022 as the new base year, replacing the previous 2018 base year. This shift follows the 2022 Cost of Living Survey, which revealed that the share of food and restaurants in Indonesian household consumption increased to 38% from 34%. For comparison, the expenditure share for food and restaurants in the United States is only 14%.

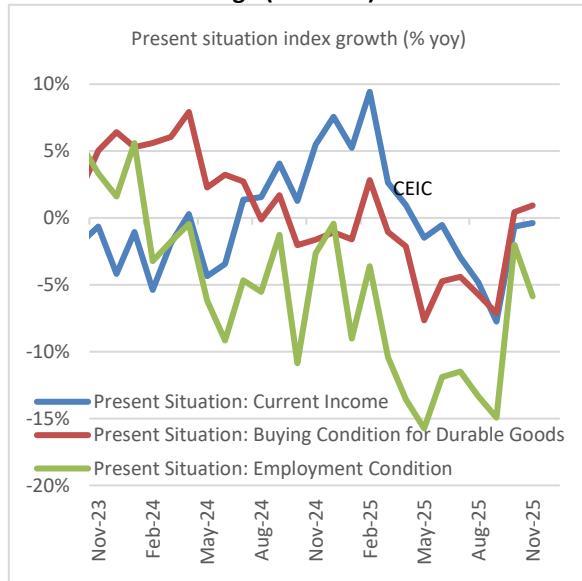
The primary contributors to December 2025's monthly inflation were food items (1.66% mom), transportation (0.55% mom), and personal care (1.0% mom). Specific commodities experiencing the most significant price hikes included bird's eye chili, poultry, shallots, gasoline, airfares, and gold jewelry.

Indonesia's **headline and core inflation for January 2026** are projected at 4.02% yoy and 2.39% yoy, respectively. Headline inflation in the first quarter of 2026 (1Q2026) is expected to remain...

Food and gold jewelry prices contribution to Indonesia's inflation (in % YoY)



Indonesia consumer confidence index: present situation index change (in % YoY)



Macroeconomic forecasts

Variables	Nov25	Dec25	Jan26 F
Trade balance (USD bn)	2.66	2.80	2.80
Inflation rate (% mom)	0.17	0.64	0.30
Inflation rate (% yoy)	2.72	2.92	4.02
BI Rate (%)	4.75	4.50	4.50
Variables	3Q25	4Q25 E	2025 E
GDP (% yoy)	5.04	4.93	5.00
CPI (% yoy)	2.65	2.92	2.92
BI Rate (%)	4.75	4.50	4.50
INDOGB 10Y (%)	6.33	6.02	6.02
USD/IDR	16,692	16,720	16,720

Yellow-shaded cells are CIMBN Economist's Forecasts

...relatively high due to increased economic activity during Ramadan and the Eid al-Fitr holidays. The average headline inflation for 2026 is forecasted to range between 2.7% and 3.2% yoy—higher than the 2025 average of 1.91%.

Indonesia's inflation would be significantly lower if the rise in gold jewelry prices were excluded. This suggests that **domestic aggregate demand** is still in a recovery phase, requiring fiscal and monetary stimulus to return to pre-pandemic levels. However, global economic uncertainty stemming from trade wars and a volatile Rupiah exchange rate may necessitate a cautious approach by Bank Indonesia regarding interest rate cuts.

The benchmark **BI Rate is projected** to decrease by 25-50 bps in 2026, provided the USD/IDR exchange rate falls below 16,500. The BI Rate has already been reduced by a total of 150 bps between 2024 and 2025. Additionally, the 12-month SRBI (Bank Indonesia Securities) rate stood at 4.87% in early January 2026, significantly lower than the 7.27% recorded in early January 2025. This monetary policy is expected to bolster domestic consumption and investment. BI's monetary policy remains a critical pillar for the Indonesian economy amid threats of a "second round" trade war, subdued domestic demand, and declining government revenue. Concurrently, BI must maintain the stability of the USD/IDR exchange rate and domestic financial markets.

Bank Indonesia interest rates and Indonesia consumer inflation

	BI Rate (1 week)	SRBI (12 months)	Headline CPI (% yoy)	Core CPI (% yoy)
Dec-23	6.00%	6.90%	2.61%	1.80%
Mar-24	6.00%	6.90%	3.05%	1.77%
Jun-24	6.25%	7.53%	2.51%	1.90%
Sep-24	6.00%	6.81%	1.84%	2.09%
Dec-24	6.00%	7.30%	1.57%	2.26%
Mar-25	5.75%	6.43%	1.03%	2.48%
Jun-25	5.50%	6.19%	1.87%	2.37%
Sep-25	4.75%	4.82%	2.65%	2.19%
Dec-25	4.75%	4.92%	2.92%	2.38%

CEIC; Bank Indonesia

Components of Indonesia's consumer inflation

% YoY	Dec-24	Nov-25	Dec-25
Food, Beverage and Tobacco	1.90%	4.25%	4.58%
Clothing and Footwear	1.16%	0.76%	0.66%
Housing, Water, Electricity, and Other Fuel	0.59%	1.57%	1.62%
Household Equipment, Equipment and Routine Maintenance	1.04%	0.23%	0.20%
Health	1.93%	2.09%	1.83%
Transportation	-0.30%	0.71%	1.23%
Information, Communication, and Financial Service	-0.27%	-0.25%	-0.28%
Recreation, Sports, and Culture	1.17%	1.15%	1.17%
Education	1.94%	1.26%	1.22%
Food and Beverage Provision/Restaurant	2.48%	1.50%	1.46%
Personal Care and Other Services	7.02%	12.49%	13.33%

CEIC; Green-shaded cells indicate low or very low inflationary pressures

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