

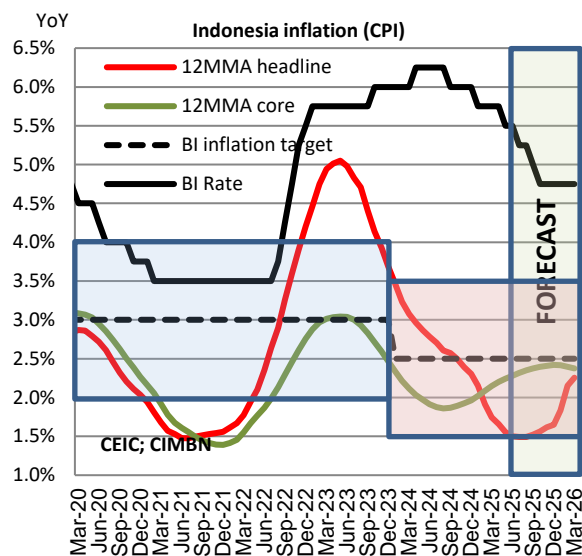
Indonesia's inflation at 1.87% YoY in June 2025

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The forecast of Indonesia inflation and Bank Indonesia Rate



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



Indonesia's headline inflation stood at 1.87% year-on-year (YoY) in June 2025, with a monthly deflation of 0.19% month-on-month (MoM). The headline inflation figure in June 2025 remained very low, hovering near the lower bound of Bank Indonesia's (BI) inflation target range of 1.5%. For reference, BI's inflation target for 2025 is 2.5% \pm 1%.

Only the **"personal care and other services"** expenditure group recorded a significant price increase of 9.30% YoY, while the remaining 10 groups of goods and services experienced price growth below 2.50% YoY. In fact, the prices of the transportation group and the information/communication/financial services group recorded negative growth.

Meanwhile, **core inflation**—which reflects aggregate demand—stood at 2.37% YoY in June 2025, down slightly from 2.40% YoY in May 2025. Thus, core inflation remains below the midpoint of BI's target range. Core inflation accounts for approximately 65% of headline inflation. Excluding the "personal care and other services" group, core inflation would be significantly lower.

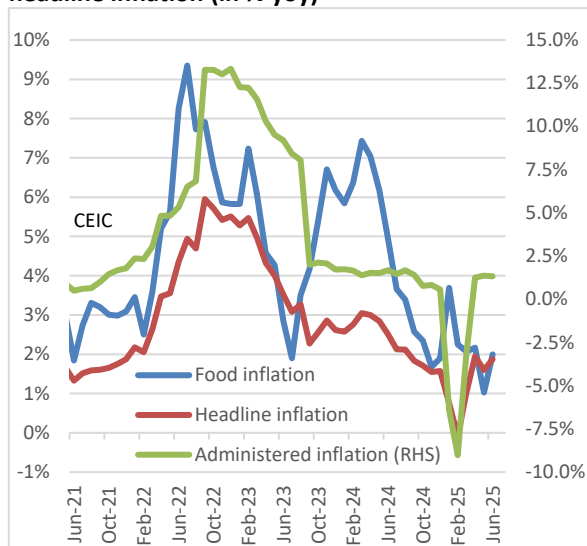
The subdued inflationary pressure was accompanied by slowing **money supply growth** (M2). M2 expanded by 4.88% YoY in May 2025, down from 7.59% YoY in May 2024.

For your information, **inflation calculations** have used the new 2022 base year starting from January 2024, replacing the previous base year of 2018. This update is based on the latest cost of living survey conducted in 2022. A key difference between the 2022 and 2018 surveys is the increased weight of food and restaurant spending in Indonesian household consumption, rising to 38% from 34%. In comparison, the share of food and restaurant expenditure in the United States is only 14%.

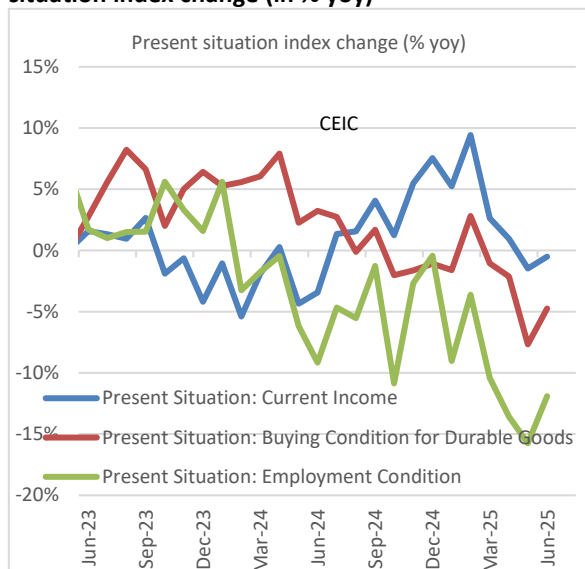
The largest contributor to June 2025's monthly inflation was the food, beverages, and tobacco group (0.46% MoM). Key items that saw significant price increases during the month included rice, bird's eye chili, shallots, and tomatoes.

Indonesia's headline and core inflation are projected to reach 2.02% YoY and 2.39% YoY respectively in July 2025. Headline inflation is expected to remain subdued in Q3 2025 due to the negative impact of the trade war on global and domestic economic activity. Additionally, government incentives in the form of toll road and airline fare discounts are expected to suppress inflation further. The average headline inflation for 2025 is projected to be in the range of 1.5–1.8%, which is 50–80 basis points lower than the 2024 average of 2.30%.

Indonesia food inflation, administered inflation and headline inflation (in % yoy)



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



Macroeconomic forecasts

Variables	May25 E	Jun25 E	Jul25 F
Trade balance (USD bn)	4.30	2.80	2.80
Inflation rate (% mom)	-0.37	0.19	-0.03
Inflation rate (% yoy)	1.60	1.87	2.02
BI Rate (%)	5.50	5.50	5.25
Variables	1Q25	2Q25 E	2025 F
GDP (% yoy)	4.87	4.83	4.80
CPI (% yoy)	1.03	1.87	1.96
BI Rate (%)	5.75	5.50	4.75
USD/IDR	16,566	16,231	15,800

Yellow-shaded cells are CIMBN Economist's Forecasts

Indonesia's inflation would be significantly lower if the rise in gold jewelry prices were excluded from the calculation. This indicates that **domestic aggregate demand** remains in the recovery phase and still requires fiscal and monetary stimulus to return to more normal levels as seen before the COVID-19 pandemic. Unfortunately, uncertainties surrounding the global economic outlook due to the trade war and a still-weak rupiah exchange rate may prompt BI to proceed cautiously with further interest rate cuts.

Bank Indonesia's benchmark policy rate (**BI Rate**) is projected to decline by 25 basis points to 5.25% at its upcoming meeting on 16 July 2025, if the USD/IDR exchange rate falls below 16,000. The BI Rate has already been cut twice this year—in January and May—by a total of 50 basis points. Furthermore, the 12-month SRBI yield stood at 5.98% in early July 2025, significantly lower than the 7.30% level at the end of December 2024. This monetary policy easing is expected to support domestic consumption and investment.

Monetary policy remains a **key pillar** in supporting Indonesia's economy amid risks from a second wave of trade wars, weak domestic aggregate demand, and a shrinking government budget. At the same time, BI must also ensure the stability of the rupiah exchange rate and the 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%
Jan-25	5.75%	6.74%	0.76%	2.36%
Feb-25	5.75%	6.44%	-0.09%	2.48%
Mar-25	5.75%	6.43%	1.03%	2.48%
Apr-25	5.75%	6.74%	1.95%	2.50%
May-25	5.50%	6.27%	1.60%	2.40%
Jun-25	5.50%	6.19%	1.87%	2.37%

CEIC; Bank Indonesia

Components of Indonesia's consumer inflation

(% yoy)	Jun-24	May-25	Jun-25
Food, Beverage and Tobacco	4.95%	1.03%	1.99%
Clothing and Footwear	1.09%	0.98%	1.01%
Housing, Water, Electricity, and Other Fuel	0.47%	1.54%	1.59%
Household Equipment, Equipment and Routine Maintenance	0.95%	0.79%	0.57%
Health	1.89%	1.79%	1.84%
Transportation	1.61%	0.18%	0.15%
Information, Communication, and Financial Service	-0.18%	-0.28%	-0.27%
Recreation, Sports, and Culture	1.50%	1.24%	1.23%
Education	1.69%	1.88%	1.82%
Food and Beverage Provision/Restaurant	2.31%	1.97%	1.95%
Personal Care and Other Services	5.24%	9.24%	9.30%

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

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