# INFLATION

**Food Prices Reverse Higher Amid El Niño Supply Pressures**

Khairunnisa N. Syahfiraputri
*Economics & Fixed Income Analyst*
khairunnisa.syahfiraputri@kbvalbury.com

Kesa Mutia Dara
*Economics & Fixed Income Intern*
kesamutiadara@gmail.com

**Indonesia's headline inflation accelerated in Aug '26, with CPI rising 0.21% MoM** (Cons: 0.20%; KBVS: 0.14%; Prev: -0.14%), **bringing annual inflation to 3.19% YoY** (Cons: 3.12%; KBVS: 3.11%; Prev: 2.88%). The upside was primarily driven by Volatile Food inflation, which accelerated to 4.06% YoY (Prev: 2.52%), led by higher cayenne pepper and red chili prices amid severe El Niño and supply-side shortages. Meanwhile, core inflation accelerated to 2.92% YoY (Cons: 2.86%; KBVS: 2.96%; Prev: 2.76%), while Administered Price inflation eased to 3.32% YoY (Prev: 3.58%). **Looking ahead, with headline inflation facing continued upside risks from El Niño, which is expected to persist through 1Q27, we believe Rupiah stability and external financial conditions will remain key considerations for Bank Indonesia's policy decisions. Against this backdrop, we expect Bank Indonesia to maintain a pro-stability stance over growth, with a potential BI rate hike toward year-end.**

**Indonesia's headline CPI accelerated in Aug '26, rising by 0.21% MoM (Cons: 0.20% MoM, KBVS: 0.14% MoM, Prev: -0.14% MoM), pushing annual inflation to 3.19% YoY (Cons: 3.12% YoY, KBVS: 3.11% YoY, Prev: 2.88% YoY).** The print marked a sharp reversal from July's deflation and pushed headline inflation toward the upper half of Bank Indonesia's (BI) target range.

**Volatile Food and Personal Care prices were the main drivers of the monthly acceleration**, led by sharp price increases in cayenne pepper (+27.74% MoM), red chili (+10.66% MoM), and chicken meat (+6.38% MoM), which together pushed the Food, Beverages, & Tobacco by +0.57% MoM. Demand was boosted by the resumption of the Makan Bergizi Gratis (MBG) program, Maulid Nabi, Indonesia's Independence Day, and other seasonal festivities, while supply in key growing regencies was constrained by El Niño-related dryness. Meanwhile, Personal Care & Other Services group rose +0.37% MoM, further supported by rising gold jewelry prices (+0.75% MoM).

**These increases were partly offset by lower transportation costs**, which recorded deflation of -0.50% MoM. Downward pressure was led by lower

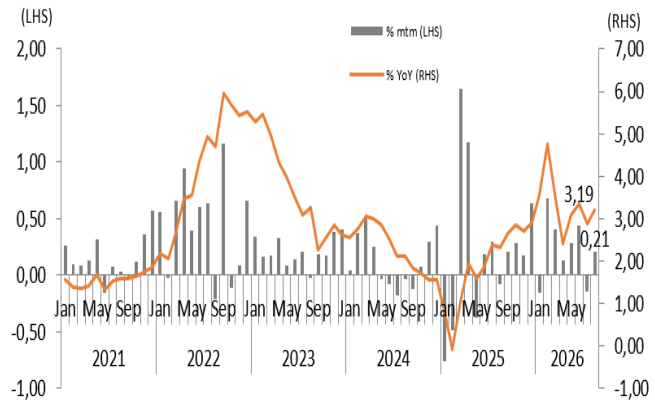
airfares (-0.06% MoM) on softer avtur costs and gasoline deflation (-0.03% MoM), following price cuts for non-subsidized Pertamax (-2% MoM) and Pertamax Turbo (-5% MoM) during the month.

**By component, monthly inflation was driven by gains in Volatile Food (+0.88% MoM) and Core inflation (+0.21% MoM).** Upward momentum in Volatile Food was led by cayenne pepper, red chili, chicken meat, and rice, as detailed above. Meanwhile, Core inflation continued its expansion, supported by gold jewelry—as previously noted—alongside key contributions from engine lubricants, mobile phones, and university tuition fees.

**Conversely, Administered Prices recorded monthly deflation (-0.33% MoM).** Downward pressure for the component was primarily driven by lower airfares and non-subsidized gasoline prices (Pertamax and Pertamax Turbo), as outlined above. This offset overall inflationary pressures, directly contributing to the drop recorded across the broader Transportation group.

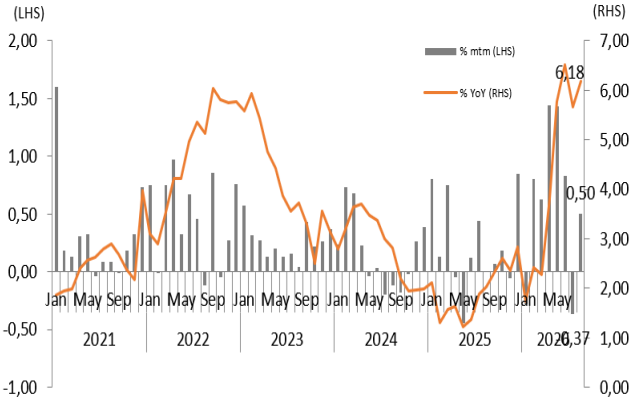
**On an annual basis, food, personal care, and transportation items recorded the highest inflation in Aug '26.** The Food, Beverages & Tobacco group rose +3.86% YoY, driven by chicken meat, fresh fish, cooking oil, rice, machine-made kretek cigarettes, hand-rolled kretek cigarettes, cayenne pepper, beef, and red chili. Personal Care & Other Services rose +9.25% YoY, largely driven by elevated gold jewelry prices. Transportation inflation reached +4.79% YoY, reflecting gasoline, airfares, engine lubricants, motorcycles, and cars.

**Figure 1:** CPI (Consumer or Headline) Inflation




*Sources: BPS, KBVS Research – treated (2026)*

**Figure 2:** WPI (Wholesale) Inflation




*Sources: BPS, KBVS Research – treated (2026)*

## Market Implications and Strategic Outlook

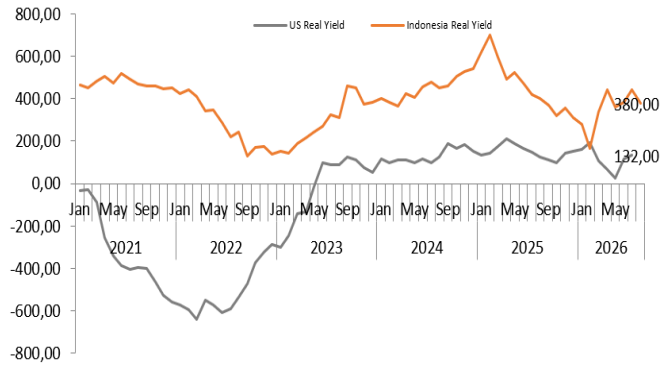
**August's headline inflation accelerated to 3.19% YoY (0.21% MoM), driven primarily by Volatile Food and a faster-than-expected pickup in Core Inflation, narrowing the policy flexibility opened up by July's deflationary drop.** While this upside shift pushes CPI toward the upper boundary of BI's target range, the central bank's monetary policy stance is expected to remain anchored primarily by Rupiah stability, global interest-rate dynamics, and foreign capital flows over growth.

**From a Volatile Food perspective, sharp price spikes in chili, cayenne pepper, and poultry—exacerbated by ongoing El Niño dryness and supply shortages—threaten household purchasing power.** This creates clear headwinds for consumer staples, food retailers, and food-service operators with limited cost pass-through capabilities. Additionally, poultry producers face potential margin compression from elevated feed and live-bird costs, depending on whether output prices reflect tighter overall supply or rising input costs.

**Regarding Core Inflation, expanding cost-push pressures across items like gold jewelry, electronics, and tuition fees demonstrate broadening underlying cost trends.** These trends validate robust private-sector domestic demand and indicate that price increases are no longer isolated to volatile food supply shocks, diminishing the likelihood that the overall inflation print is purely transitory.

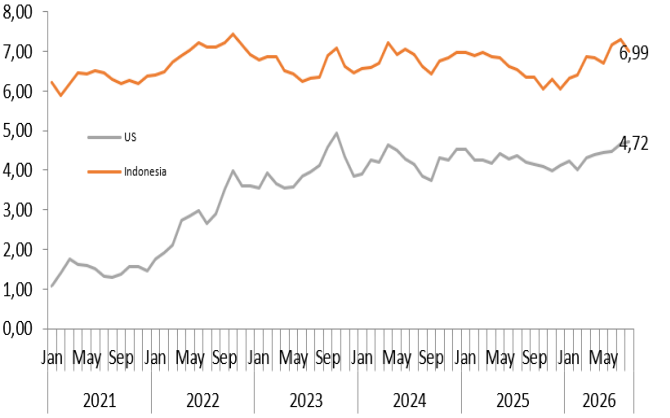
**In Administered Prices, recent deflation driven by lower avtur and non-subsidized fuel prices provides immediate operational relief to the logistics sector.** However, potential upside cost risks remain for this component as surging domestic fuel consumption sparks discussion surrounding a possible price adjustment for subsidized

**Figure 3:** Real Yield US vs Indonesia (in bps)



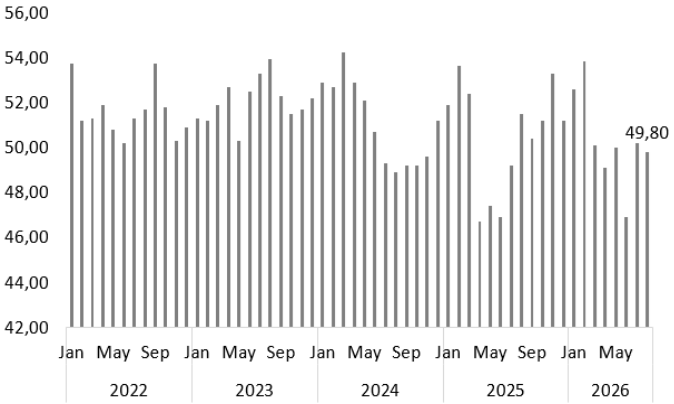

*Sources: Bloomberg, KBVS Research – treated (2026)*

**Figure 4:** Yield of 10Yr Government Bond (in %)




*Source: Bloomberg, KBVS Research – treated (2026)*

**Figure 5:** PMI Manufacturing (index)

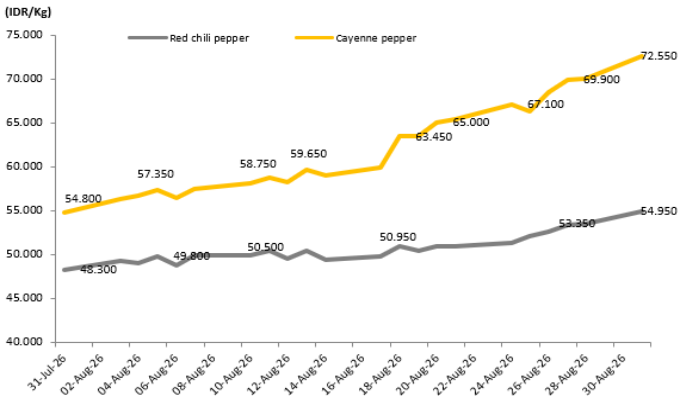



*Sources: Market Economics, KBVS Research – treated (2026)*

Pertalite, which could reintroduce significant cost-push pressures down the line.

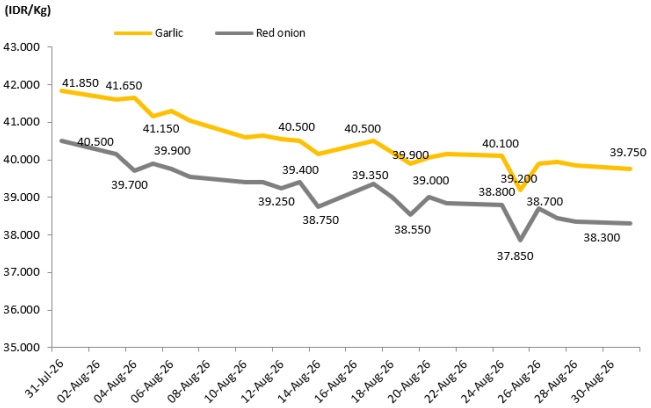
**Looking ahead, with headline inflation facing continued upside risks from El Niño—which is expected to persist through 1Q27—and potential price adjustments to subsidized Pertalite, we believe Rupiah stability and external financial conditions will remain key considerations for Bank Indonesia's policy decisions.** Against this backdrop, we expect BI to maintain a pro-stability stance over growth, leaving room for a potential BI rate hike toward year-end should external currency pressures intensify.

**Figure 6:** Red Chilli Pepper & Cayenne Pepper Price



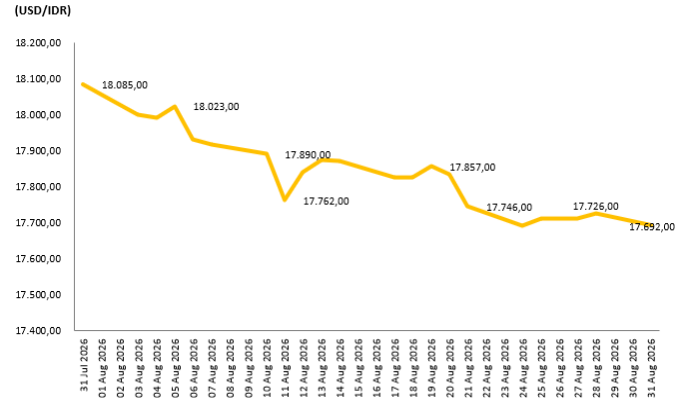

*Sources: BI, KBVS Research – treated (2026)*

**Figure 7:** Garlic & Chicken Meat Price




*Sources: BI, KBVS Research – treated (2026)*

**Figure 8:** USD/IDR (IDR per USD)




*Sources: Bloomberg, KBVS Research – treated (2026)*

***Table 1.*** *CPI, WPI & Farmer Exchange Rate August '26*

| Indicators | Index | | Inflation | |
|---|---|---|---|---|
| | Latest | M-1 | MoM | YoY |
| **Consumer Price Index (CPI)** | **111,97** | **111,73** | **0,21%** | **3,19%** |
| *Food, Beverages, and Tobacco* | 117,36 | 116,70 | 0,57% | 3,86% |
| *Clothing and Footwear* | 105,25 | 105,18 | 0,07% | 1,20% |
| *Housing,Water, Electricity,and Household Fuels* | 105,17 | 105,12 | 0,05% | 1,01% |
| *Equipment, Tools, and Routine Household Maintenance* | 106,15 | 105,92 | 0,22% | 2,00% |
| *Health* | 108,15 | 107,93 | 0,20% | 2,12% |
| *Transport* | 115,02 | 115,60 | -0,50% | 4,79% |
| *Info, Comm. and Financial Services* | 100,92 | 100,74 | 0,18% | 1,72% |
| *Recreation, Sport and Culture* | 107,00 | 106,73 | 0,25% | 1,75% |
| *Education Services* | 107,30 | 106,95 | 0,33% | 1,20% |
| *Food and Beverages Services/Restaurants* | 110,72 | 110,48 | 0,22% | 2,67% |
| *Personal Care and Other Services* | 131,45 | 130,96 | 0,37% | 9,25% |
| *Core inflation* | 109,98 | 109,75 | 0,21% | 2,92% |
| *Administered Price* | 113,69 | 114,07 | -0,33% | 3,32% |
| *Volatile Food* | 118,08 | 117,05 | 0,88% | 4,06% |
| **Wholesale Price Index (WPI)** | **111,70** | **111,14** | **0,50%** | **6,18%** |
| *Agriculture* | 114,12 | 112,89 | 1,09% | 5,89% |
| *Mining and Quarrying* | 113,96 | 110,94 | 2,72% | 14,50% |
| *Manufacturing* | 112,10 | 111,49 | 0,55% | 4,52% |
| **Farmer Exchange Rate** | **129,19** | **127,84** | **1,06%** | **4,55%** |
| *Farmers Price Received Index* | 165,66 | 163,80 | 1,14% | 7,61% |
| *Farmers Price Paid Index* | 128,24 | 128,13 | 0,09% | 2,94% |

*Sources: BPS, KBVS Research - treated (2026)*

***Table 2.*** *Commodity Price in Traditional Market*

| No. | Commodity | Price (Rp per Kg) | | | | | Monthly Price Change (%, ptp) |
|---|---|---|---|---|---|---|---|
| | | 31/07/2026 | 07/08/2026 | 14/08/2026 | 21/08/2026 | 31/08/2026 | |
| **I** | **Rice** | **16,200** | **16,250** | **16,100** | **16,300** | **16,300** | **0,62%** |
| 1 | Lower Quality Rice I | 14,800 | 14,800 | 14,800 | 14,800 | 14,850 | 0,34% |
| 2 | Lower Quality Rice II | 14,600 | 14,600 | 14,600 | 14,650 | 14,650 | 0,34% |
| 3 | Medium Quality Rice I | 16,400 | 16,450 | 16,500 | 16,500 | 16,550 | 0,91% |
| 4 | Medium Quality Rice II | 16,200 | 16,250 | 16,300 | 16,300 | 16,300 | 0,62% |
| 5 | Super Quality Rice I | 17,700 | 17,750 | 17,750 | 17,750 | 17,800 | 0,56% |
| 6 | Super Quality Rice II | 17,150 | 17,200 | 17,250 | 17,250 | 17,250 | 0,58% |
| **II** | **Chicken meat** | **39,950** | **40,050** | **41,650** | **42,000** | **42,500** | **6,38%** |
| 1 | Fresh Race Chicken Meat | 39,900 | 40,050 | 41,350 | 42,000 | 42,550 | 6,64% |
| **III** | **Beef** | **147,450** | **147,900** | **147,550** | **147,850** | **148,150** | **0,47%** |
| 1 | Quality 1 Beef | 151,000 | 151,750 | 151,450 | 151,450 | 151,850 | 0,56% |
| 2 | Quality 2 Beef | 142,000 | 143,050 | 142,900 | 142,500 | 142,600 | 0,42% |
| **IV** | **Chicken eggs** | **29,650** | **29,450** | **29,000** | **29,250** | **29,500** | **-0,51%** |
| 1 | Fresh Chicken Eggs | 29,650 | 29,450 | 29,400 | 29,250 | 29,500 | -0,51% |
| **V** | **Red onion** | **40,500** | **39,550** | **38,750** | **38,850** | **38,350** | **-5,31%** |
| 1 | Medium Shallot | 40,450 | 39,550 | 39,450 | 38,850 | 38,450 | -4,94% |
| **VI** | **Garlic** | **41,850** | **41,050** | **40,150** | **40,150** | **39,850** | **-4,78%** |
| 1 | Medium Size Garlic | 41,850 | 41,050 | 40,500 | 40,150 | 39,850 | -4,78% |
| **VII** | **Red chili pepper** | **48,300** | **49,900** | **49,400** | **50,950** | **53,450** | **10,66%** |
| 1 | Large Red Chili | 49,050 | 49,900 | 49,100 | 49,250 | 50,900 | 3,77% |
| 2 | Curly Red Chili | 48,500 | 50,400 | 50,450 | 51,300 | 53,250 | 9,79% |
| **VIII** | **Cayenne pepper** | **54,800** | **57,500** | **58,950** | **65,400** | **70,000** | **27,74%** |
| 1 | Green Cayenne Pepper | 51,950 | 52,600 | 55,350 | 57,050 | 59,950 | 15,40% |
| 2 | Red Cayenne Pepper | 55,800 | 59,650 | 62,650 | 69,950 | 76,050 | 36,29% |
| **IX** | **Cooking oil** | **22,950** | **23,000** | **22,950** | **22,950** | **22,950** | **0,00%** |
| 1 | Bulk Cooking Oil | 20,500 | 20,450 | 20,350 | 20,450 | 20,450 | -0,24% |
| 2 | Branded Packaging Cooking Oil 1 | 24,300 | 24,450 | 24,300 | 24,300 | 24,300 | 0,00% |
| 3 | Branded Packaging Cooking Oil 2 | 23,450 | 23,500 | 23,550 | 23,500 | 23,500 | 0,21% |
| **X** | **Sugar** | **19,550** | **19,650** | **19,550** | **19,550** | **19,550** | **0,00%** |
| 1 | Premium Quality Sugar | 20,300 | 20,300 | 20,350 | 20,350 | 20,300 | 0,00% |
| 2 | Local Sugar | 19,050 | 19,150 | 19,050 | 19,000 | 19,050 | 0,00% |

*Sources: BI, KBVS Research - treated (2026)*

## Our Analysts


**Fikri C Permana**
Head of Equity Research
Strategy and Economics
fikri.permana
@kbvalbury.com

**Adolf R B Setiadi**
Equity Analyst
Coal, Renewables, Plantation, Pulp
adolf.setiadi
@kbvalbury.com

**Akhmad Nurcahyadi**
Senior Equity Analyst
Banks, Consumer, Cigarettes, Auto
akhmad.nurcahyadi
@kbvalbury.com

**Andre Suntono**
Senior Equity Analyst
Retail, Poultry, Healthcare
andre.suntono
@kbvalbury.com

**Ashalia Fitri Yuliana**
Equity Analyst
Metal Mining, H-Equipment, Cement, Media, Chemicals
ashalia.yuliana
@kbvalbury.com

**Atikah Tri Adriyanti**
Equity Analyst
Small-Mid Caps
atikah.adriyanti
@kbvalbury.com

**Steven Gunawan**
Senior Equity Analyst
Telco, Tower, Property
steven.gunawan
@kbvalbury.com

**Khairunnisa N Syahfiraputri**
Associate Economist
khairunnisa.syahfiraputri
@kbvalbury.com

**Michael Handisurya**
Technical Analyst
michael.handisurya
@kbvalbury.com


## Disclaimer


This report is prepared by PT KB Valbury Sekuritas, a member of the Indonesia Stock Exchange, or its subsidiaries or its affiliates ("KBVS"). All the material presented in this report is under copyright to KBVS. None of the parts of this material, nor its contents, may be copied, photocopied, or duplicated in any form or by any means or altered in any way, or transmitted to, or distributed to any other party without the prior written consent of KBVS.

The research presented in this report is based on the information obtained by KBVS from sources believed to be reliable, however KBVS do not make representations as to their accuracy, completeness or correctness. KBVS accepts no liability for any direct, indirect and/or consequential loss (including any claims for loss of profit) arising from the use of the material presented in this report and further communication given or relied in relation to this document. The material in this report is not to be construed as an offer or a solicitation of an offer to buy or sell any securities or financial products. This report is not to be relied upon in substitution for the exercise of independent judgement. Past performance and no representation or warranty, express or implied, is made regarding future performance. Information, valuations, opinions, forecasts and estimates contained in this report reflects a judgement at its original date of publication by KBVS and are subject to change without notice, its accuracy is not guaranteed or it may be incomplete.

The Research Analyst(s) primarily responsible for the content of this research report, in part or as a whole, certifies that the views about the companies and their securities expressed in this report accurately reflect his/her personal views. The Analyst also certifies that no part of his/her compensation was, is or will related to specific recommendation views expressed in this report. It also certifies that the views and recommendations expressed in this report do not and will not take into account client circumstances, objectives, needs and no intentions involved as a use for recommendations for sale or buy any securities or financial instruments.



**KB Valbury Sekuritas**
Head Office
Sahid Sudirman Center 41st Floor Unit A-C
Jalan Jenderal Sudirman No. 86 Kelurahan Karet Tengsin,
Kecamatan Tanah Abang, Jakarta Pusat 10220, Indonesia
T. (021) 25098300
F. (021) 25098400


## Branch Office


**Jakarta - Kelapa Gading**
Rukan Plaza Pasifik
Jl. Boulevard Barat Raya Blok A1 No. 10
Jakarta Utara 14240
T. (021) 29451577

**Jakarta - Puri Indah**
Rukan Grand Aries Niaga Blok E1 No. IV
Jl. Taman Aries, Kembangan
Jakarta Barat 11620
T. (021) 22542390

**Jakarta – Pluit**
Jl. Pluit Putra Raya No. 2
Jakarta Utara 14450
T. (021) 6692119

**Denpasar**
Jl. Teuku Umar No. 177
Komplek Ibis Styles Hotel
Denpasar Bali 80114
T. (0361) 3338080

**Bandung**
Jl. Abdul Rivai No. 1A,
Kel. Pasirkaliki, Kec. Cicendo
Bandung 40171
T. (022) 3003133

**Malang**
Jl. Pahlawan Trip No. 7
Malang 65112
T. (0341) 585888

**Palembang**
Komplek PTC Mall Blok I No. 7
Jl. R. Sukamto
Palembang 30114
T. (0711) 2005050

**Yogyakarta**
Jl. Magelang KM 5.5 No. 75
Yogyakarta 55000
T. (0274) 8099090

**Banjarmasin**
Jl. Gatot Subroto No. 33
Banjarmasin 70235
T. (0511) 3265918

**Semarang**
Jl. Gajahmada 23A,
Kecamatan Semarang Tengah,
Kelurahan Kembang Sari 50241
T. (024) 40098080

**Surabaya**
Pakuwon Center Lt 21
Jl. Embong Malang No.1
Surabaya 60261
T. (031) 21008080

**Padang**
Jl. Proklamasi No. 60A
Padang Timur 25121
T. (0751) 8688080

**Pontianak**
Jl. Prof. M Yamin No. 14
Kotabaru, Pontianak Selatan
Kalimantan Barat 78116
T. (0561) 8069000

**Makassar**
Komplek Ruko Citraland City Losari
Business Park, Blok B2 No. 09
Jl. Citraland Boulevard Makassar 90111
T. (0411) 6000818

**Medan**
Komplek Golden Trade Center
Jl. Jenderal Gatot Subroto No. 18-19
Medan 20112
T. (061) 50339090

**Pekanbaru**
Jl. Tuanku Tambusai, Komplek CNN
Blok A No. 3 Pekanbaru 28291
T. (0761) 839393


## Investment Gallery


**Jakarta**
Citra Garden 6 Ruko Sixth Avenue
Blok J.1 A/18, Cengkareng
Jakarta Barat 11820
T. (021) 52392181

**Semarang**
Jl. Jati Raya No. D6,
Srondol Wetan, Banyumanik,
Semarang 50263
T. (024) 8415195

**Salatiga**
Jl. Diponegoro No. 68
Salatiga 50711
T. (0298) 313007

**Jambi**
Jl. Orang Kayo Hitam
No. 48 B
Jambi Timur 36123
T. (0741) 3068533