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 to 0.30% MoM in Sep '26 (Cons: 0.33%, KBVS: 0.33%, Prev: 0.21%), bringing annual inflation to 3.28% YoY (Cons: 3.30%, KBVS: 3.30%, Prev: 3.19%). The increase was mainly driven by the Food, Beverages & Tobacco group (+0.88% MoM), particularly higher red chili and cayenne pepper prices amid El Niño-related supply pressures, while MBG-supported food demand and higher animal feed costs added pressure to poultry prices. Meanwhile, core inflation eased to 2.84% YoY (Cons: 2.90%, KBVS: 2.92%, Prev: 2.92%), indicating contained underlying pressures. **Looking ahead, persistent El Niño-related food pressures into early 2027 could keep headline inflation elevated, while Rupiah stability and external conditions remain key considerations for BI's policy stance.**

Indonesia headline inflation accelerated in Sep '26, reaching 0.30% MoM (Cons: 0.33% MoM, KBVS: 0.33% MoM, Prev: 0.21% MoM) bringing annual inflation 3.28% (Cons: 3.30% YoY, KBVS: 3.30% YoY, Prev: 3.19% YoY). While annual inflation edged up from 3.19% YoY in Aug '26. The print marked a modest acceleration from August's inflation. This keeps headline inflation within the upper half of Bank Indonesia's 2.5%±1% target range.

The monthly increase was mainly driven by the Food, Beverages & Tobacco group (+0.88% MoM). The increase was concentrated in the Volatile Food component, which recorded +1.46% MoM inflation, particularly cayenne pepper (+18.50% MoM), red chili pepper (+22.09% MoM), chicken meat (-1.06% MoM), rice (+0.61% MoM), chicken eggs (+1.35% MoM), fresh fish (+0.60% MoM), and water spinach (+1.20% MoM). Based on the food price data, red chili prices (+22.09% MoM) and cayenne pepper (+18.50% MoM), making chili commodities the key source of food price pressure during the month. The sharp increase was consistent with supply-side pressure on fresh agricultural commodities amid El Niño conditions, which can affect crop yields and availability. Meanwhile, demand for chicken meat was supported by the Makan Bergizi Gratis (MBG) program, while higher animal feed prices added

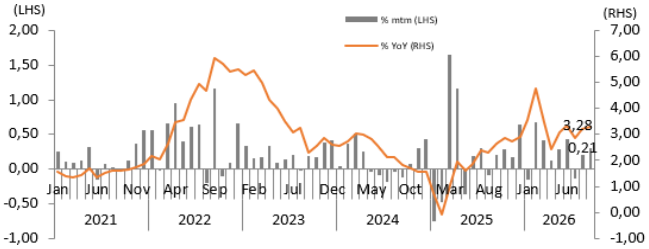
to chicken production costs, creating additional pressure along the food supply chain.

Healthcare prices increased by 0.26% MoM, adding to monthly inflation amid continued increases in medical costs. According to Mercer Marsh Benefits' *Health Trends 2026*, healthcare costs in Indonesia are projected to rise by 17.8% YoY in 2026, compared with 2.5% YoY projected general inflation, highlighting persistent cost pressures in the healthcare sector. Higher medical costs can be driven by rising prices of medicines and medical equipment, medical labor costs, advances in healthcare technology, and increasing demand for healthcare services, which could further increase household healthcare expenditure.

Education prices also increased by 0.24% MoM, adding to monthly inflation as higher education costs contributed to household spending. The increase may reflect continued demand for education services, supported by substantial government spending on the sector. In 2026, the government allocated IDR757.8 tn for education, equivalent to 20% of state expenditure, covering student assistance, teacher support, school operations, and education infrastructure. The government is also preparing a free education scheme for basic and secondary education, supported through programs such as Bantuan Operasional Sekolah (BOS) and Program Indonesia Pintar (PIP). These programs aim to reduce the financial burden on households while sustaining demand for education services. However, rising operating costs could still put upward pressure on education prices and contribute to inflation.

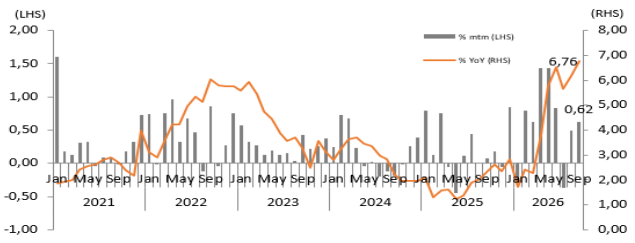
Core inflation eased to 2.84% YoY in Sep '26 (Cons: 3.30% YoY, KBVS: 3.30% YoY, Prev: 3.19% YoY) . The moderation suggests that underlying price pressures remained relatively contained despite the acceleration in headline inflation. On a monthly basis, core inflation (+0.10% MoM), indicating that the September increase in headline inflation was driven more by volatile food prices than by a broad strengthening in underlying demand-side price pressures.

Figure 1: CPI (Consumer or Headline) Inflation



Sources: BPS, KBVS Research – treated (2026)

Figure 2: WPI (Wholesale) Inflation



Sources: BPS, KBVS Research – treated (2026)

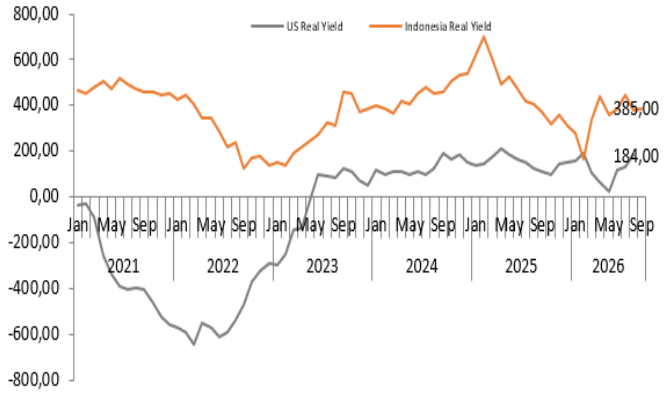
Market Implications and Strategic Outlook

September's headline inflation suggests that overall price pressures remain manageable despite stronger food inflation. Headline inflation rose to 3.28% YoY, still within Bank Indonesia's 2.5%±1% target range, while core inflation eased to 2.84% YoY. The combination indicates that the acceleration in headline inflation was primarily driven by volatile food rather than broad-based underlying price pressures. Accordingly, the latest inflation print does not materially increase the urgency for further monetary tightening, although persistent food-price pressures warrant close monitoring.

With Volatile Food inflation reaching 5.03% YoY, continued increases in food prices could put pressure on consumer purchasing power while raising cost pressures across the food supply chain. Food demand was supported by the MBG program, particularly for chicken and other meat products, while higher animal feed prices increased chicken production costs. This combination of stronger demand and higher input costs could prolong food-price pressures and make procurement and inventory planning more challenging for food-related businesses.

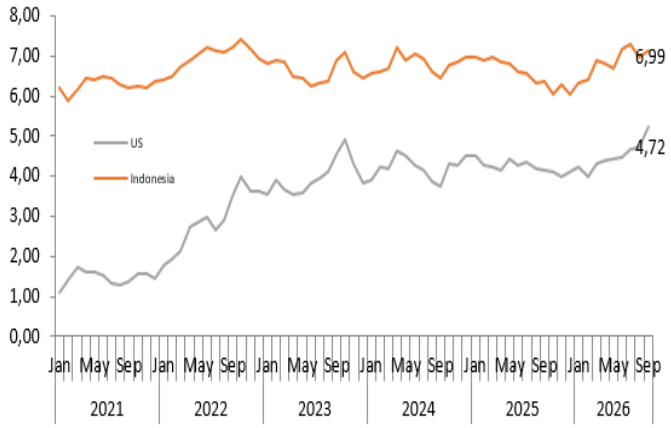
The continued rise in healthcare costs could increase operating cost pressures for healthcare providers, particularly as medical labor, equipment, and technology costs remain elevated. This could support higher healthcare service prices and create margin pressure for providers if cost increases cannot be fully passed through to patients. For healthcare-related companies, pricing power and cost efficiency will therefore remain important to protect margins amid persistent medical cost inflation.

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



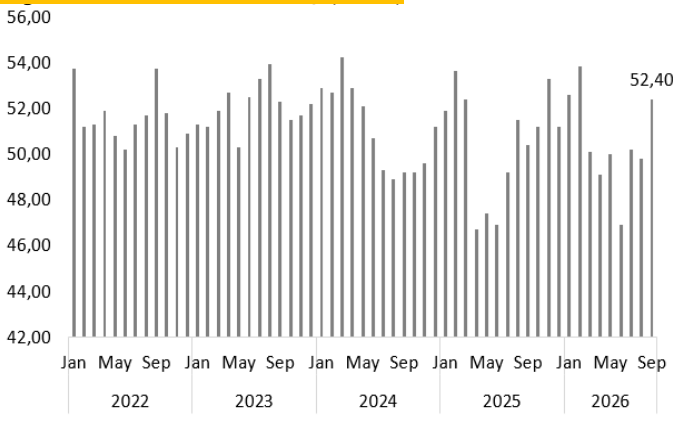
Sources: Bloomberg, KBVS Research – treated (2026)

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



Source: Bloomberg, KBVS Research – treated (2026)

Figure 5: PMI Manufacturing (index)



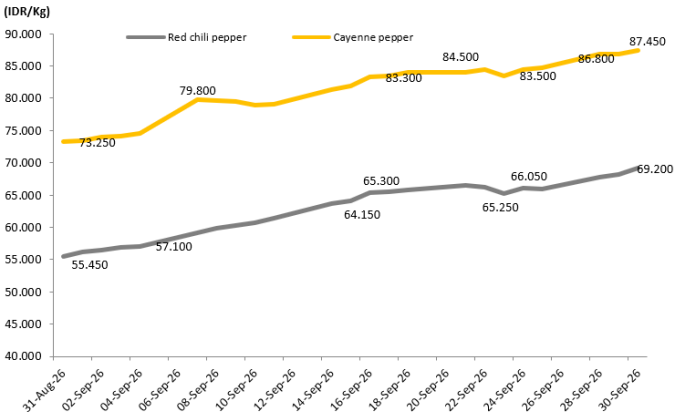
Sources: Market Economics, KBVS Research – treated (2026)

The continued government support for education could help sustain demand for education services while improving access for households through scholarships and other education assistance programs. For education providers, this relatively stable demand environment could provide some support for pricing as operating costs increase.

The moderation in core inflation provides some flexibility for Bank Indonesia to maintain a measured monetary policy stance, as underlying price pressures remain relatively contained. However, elevated food inflation and potential Rupiah volatility could still influence the policy mix, particularly if they begin to affect broader inflation expectations.

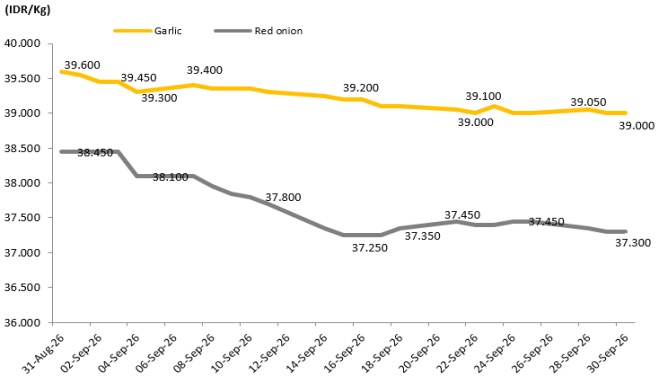
Looking ahead, headline inflation is likely to remain exposed to upside risks from food prices, particularly as continued demand from the MBG program could add pressure to food supply chains, while higher animal feed prices could further increase chicken production costs. El Niño is also expected to persist through early 2027, keeping food supply risks elevated. Against this backdrop, we believe Rupiah stability and external financial conditions will remain key considerations for Bank Indonesia's policy decisions. With headline inflation at 3.28% YoY and core inflation still contained at 2.84% YoY, we expect BI to maintain a pro-stability stance while closely monitoring the risk of broader second-round inflation pressures. Room for a potential BI rate hike toward year-end remains if external currency pressures intensify or food-price pressures begin to spill over into core inflation.

Figure 6: Red Chilli Pepper & Cayenne Pepper Price



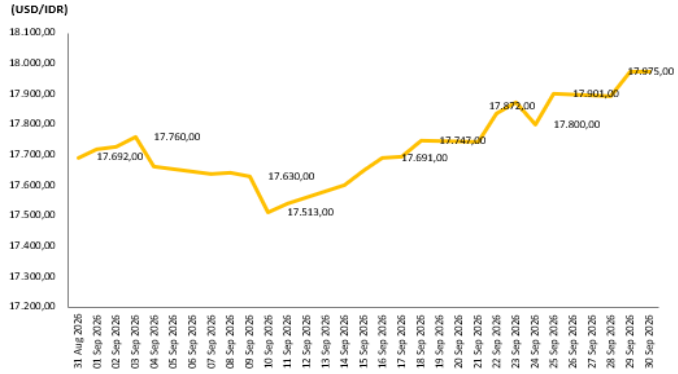
Sources: BI, KBVS Research – treated (2026)

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 September '26*

Indicators	Index		Inflation	
	Latest	M-1	MoM	YoY
Consumer Price Index (CPI)	**112,31**	**111,97**	**0,30%**	**3,28%**
Food, Beverages, and Tobacco	118,39	117,36	0,88%	4,37%
Clothing and Footwear	105,28	105,25	0,03%	1,20%
Housing,Water, Electricity,and Household Fuels	105,21	105,17	0,04%	1,02%
Equipment, Tools, and Routine Household Maintenance	106,34	106,15	0,18%	2,19%
Health	108,43	108,15	0,26%	2,24%
Transport	115,05	115,02	0,03%	4,84%
Info, Comm. and Financial Services	101,04	100,92	0,12%	1,83%
Recreation, Sport and Culture	107,08	107,00	0,07%	1,81%
Education Services	107,56	107,30	0,24%	1,43%
Food and Beverages Services/Restaurants	110,84	110,72	0,11%	2,70%
Personal Care and Other Services	131,27	131,45	-0,14%	7,77%
Core inflation	110,09	109,98	0,10%	2,84%
Administered Price	113,69	113,69	0,00%	3,25%
Volatile Food	119,80	118,08	1,46%	5,03%
Wholesale Price Index (WPI)	**112,39**	**111,70**	**0,62%**	**6,76%**
Agriculture	115,66	114,12	1,35%	7,63%
Mining and Quarrying	114,23	113,96	0,24%	14,61%
Manufacturing	112,61	112,10	0,45%	4,63%
Farmer Exchange Rate	**131,11**	**129,19**	**1,49%**	**5,43%**
Farmers Price Received Index	168,86	165,66	1,93%	8,91%
Farmers Price Paid Index	128,80	128,24	0,44%	3,31%

Sources: BPS, KBVS Research - treated (2026)

Table 2. *Commodity Price in Traditional Market*

No.	Commodity	Price (Rp per Kg)					Monthly Price Change (%, ptp)
		31/08/2026	07/09/2026	14/09/2026	21/09/2026	30/09/2026	
I	**Rice**	**16,300**	**16,350**	**16,350**	**16,400**	**16,400**	**0,61%**
1	Lower Quality Rice I	14,850	14,900	14,900	14,900	14,900	0,34%
2	Lower Quality Rice II	14,650	14,700	14,700	14,700	14,700	0,34%
3	Medium Quality Rice I	16,550	16,600	16,600	16,600	16,600	0,30%
4	Medium Quality Rice II	16,300	16,350	16,400	16,400	16,400	0,61%
5	Super Quality Rice I	17,850	17,850	17,850	17,900	17,900	0,28%
6	Super Quality Rice II	17,300	17,300	17,300	17,350	17,300	0,00%
II	**Chicken meat**	**42,600**	**42,650**	**42,600**	**42,200**	**42,150**	**-1,06%**
1	Fresh Race Chicken Meat	42,600	42,650	42,600	42,200	42,150	-1,06%
III	**Beef**	**148,250**	**148,400**	**148,400**	**148,800**	**148,950**	**0,47%**
1	Quality 1 Beef	151,950	152,100	152,100	152,500	152,600	0,43%
2	Quality 2 Beef	142,650	142,900	142,750	143,050	143,300	0,46%
IV	**Chicken eggs**	**29,550**	**29,800**	**29,950**	**30,000**	**29,950**	**1,35%**
1	Fresh Chicken Eggs	29,550	29,800	29,950	30,000	29,950	1,35%
V	**Red onion**	**38,450**	**38,100**	**37,350**	**37,450**	**37,350**	**-2,86%**
1	Medium Shallot	38,450	38,100	37,350	37,450	37,350	-2,86%
VI	**Garlic**	**39,600**	**39,400**	**39,250**	**39,050**	**39,050**	**-1,39%**
1	Medium Size Garlic	39,600	39,400	39,250	39,050	39,050	-1,39%
VII	**Red chili pepper**	**55,450**	**59,200**	**63,700**	**66,450**	**67,700**	**22,09%**
1	Large Red Chili	51,550	54,200	56,250	57,650	58,650	13,77%
2	Curly Red Chili	55,850	60,250	66,450	70,050	71,400	27,84%
VIII	**Cayenne pepper**	**73,250**	**79,800**	**81,350**	**84,000**	**86,800**	**18,50%**
1	Green Cayenne Pepper	61,750	64,050	65,950	68,200	68,900	11,58%
2	Red Cayenne Pepper	81,400	91,150	92,550	95,000	99,650	22,42%
IX	**Cooking oil**	**22,950**	**23,000**	**23,000**	**23,000**	**23,000**	**0,22%**
1	Bulk Cooking Oil	20,450	20,450	20,400	20,400	20,400	-0,24%
2	Branded Packaging Cooking Oil 1	24,300	24,350	24,350	24,350	24,350	0,21%
3	Branded Packaging Cooking Oil 2	23,450	23,450	23,500	23,500	23,550	0,43%
X	**Sugar**	**19,600**	**19,600**	**19,650**	**19,650**	**19,650**	**0,26%**
1	Premium Quality Sugar	20,350	20,350	20,350	20,350	20,350	0,00%
2	Local Sugar	19,100	19,100	19,150	19,150	19,150	0,26%

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

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