

December Inflation Accelerates as Supply Disruptions Dominate

Indonesia's headline CPI inflation accelerated to 0.64% MoM and 2.92% YoY in Dec '25 (Con: 0.63% MoM or 2.80% YoY; KBVS: 0.84% MoM or 3.14% YoY; Prev: 0.17% MoM or 2.72% YoY), marking a sharp rebound from November and registering the highest YoY inflation since Apr '24. On a full-year basis, cumulative inflation in 2025 stood at 2.92%, exceeding the 2024 outcome and representing the highest annual inflation since 2021. Meanwhile, core inflation remained relatively stable at 2.38% YoY (Prev: 2.36% YoY), suggesting that the December acceleration was predominantly driven by non-core components.

On a monthly basis, inflationary pressures were dominated by volatile food and administered prices. The Food, Beverages, and Tobacco group was the main contributor, recording inflation of 1.66% MoM and contributing 0.48% points to headline inflation. Price increases were primarily driven by cayenne pepper, broiler chicken meat, shallots, fresh fish, chicken eggs, and gold jewelry. Meanwhile, administered-price inflation rose by a notable 0.37% MoM, reflecting higher non-subsidized fuel prices, with Pertamax prices increasing to IDR12,750 per liter in Dec '25 (+4.51% MoM) following repeated adjustments in line with global oil price movements. Seasonal increases in airfares during the year-end holiday period further reinforced these pressures. On the deflationary side, price declines were limited, with red chili being the only notable commodity recording deflation.

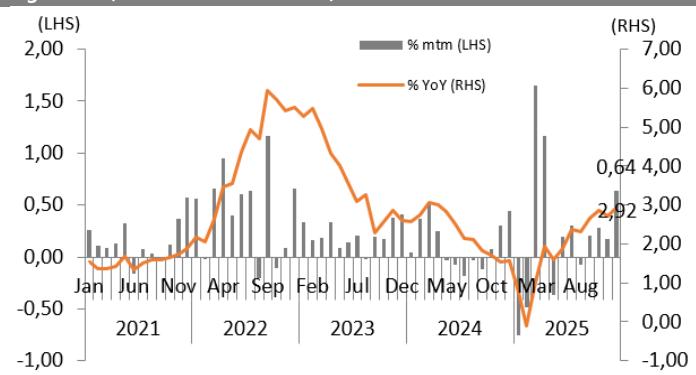
Regional inflation dynamics underscored the significance of supply-side disruptions. All 38 provinces recorded inflation in December, led by Aceh (3.60% MoM or 6.71% YoY), North Sumatera (1.66% MoM or 4.66% YoY), and West Sumatera (1.48% MoM or 5.15% YoY). These developments were closely linked to severe flooding in the three provinces, which disrupted distribution networks and triggered crop failures, particularly for rice, poultry, fresh fish, and chilies. Disruptions to harvesting, storage, and inter-regional logistics likely tightened supply conditions, pushing food prices higher not only locally but also in downstream markets.

Beyond food supply factors, external and seasonal elements also contributed to inflationary pressures. The USD/IDR exchange rate weakened from around IDR16,650 per USD in early December to a peak of IDR16,780 per USD on 29 December. Rupiah depreciation added upward pressure to prices of imported and import-linked goods, including fuel and certain food items, reinforcing both administered and volatile food inflation. In addition, the Christmas–New Year (Nataru) period boosted demand for transportation, food consumption, and household spending. That said, government year-end stimulus measures—such as toll-road discounts, airfare reductions, and lower sea and rail transport fares—are expected to partially offset inflationary pressures.

Looking ahead, inflation risks toward the end of 2025 remain skewed to the supply side, particularly from weather-related disruptions and logistics constraints following floods and landslides across Aceh, North Sumatera, and West Sumatera. With the rainy season ongoing, risks of further harvest delays, distribution bottlenecks, and localized supply shortages persist, especially for chilies, poultry products, fresh fish, rice, and other volatile food items. Administered-price pressures may also continue, reflecting the lagged pass-through from non-subsidized fuel price adjustments to transportation and distribution costs. Rupiah depreciation remains a key risk, as it could reinforce imported inflation, particularly for fuel-linked and import-dependent goods.

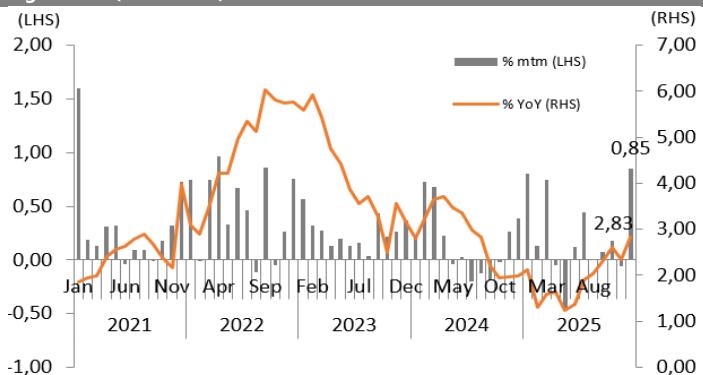
Encouragingly, Bulog's rice stock position should help mitigate broader food inflation risks, provided weather conditions do not deteriorate significantly in key producing regions. Nevertheless, the combination of volatile food inflation, administered-price adjustments, and currency sensitivity may prompt Bank Indonesia to maintain a cautious policy stance. Moreover, rising geopolitical tensions in the Americas—particularly between the US and Venezuela—are expected to reinforce BI's prudence. **We therefore expect Bank Indonesia to keep the BI Rate unchanged at its current level, where it has remained since 17 September 2025, at the upcoming policy meeting on 20–21 January 2026.**

Fig 1. CPI (Consumer or Headline) Inflation



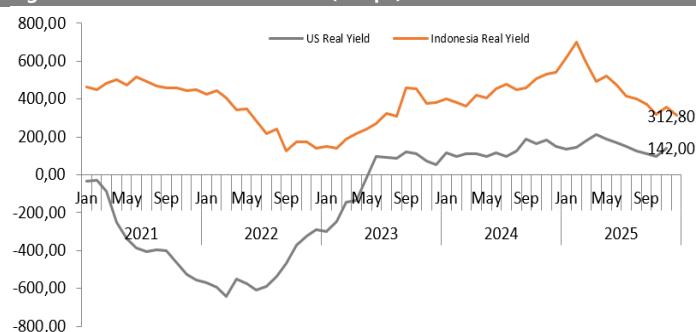
Sources: BPS, KBVS Research – treated (2026)

Fig 2. WPI (Wholesale) Inflation



Sources: BPS, KBVS Research – treated (2026)

Fig 3. Real Yield US vs Indonesia (in bps)



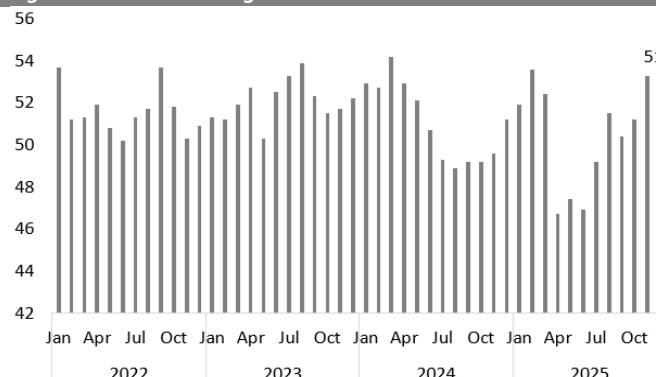
Sources: Bloomberg, KBVS Research – treated (2026)

Fig 4. Yield of 10Yr Government Bond (in %)



Sources: BI, KBVS Research – treated (2026)

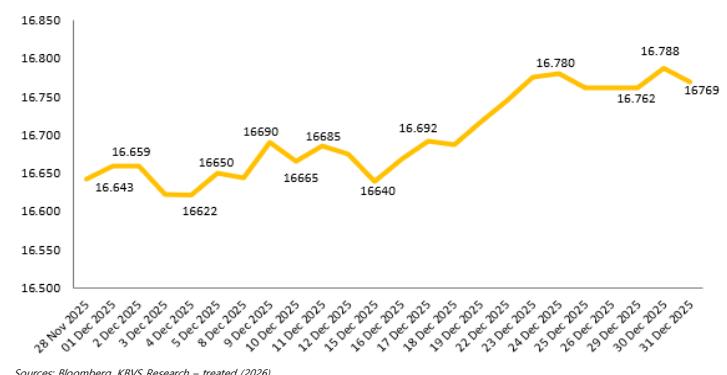
Fig 5. PMI Manufacturing



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

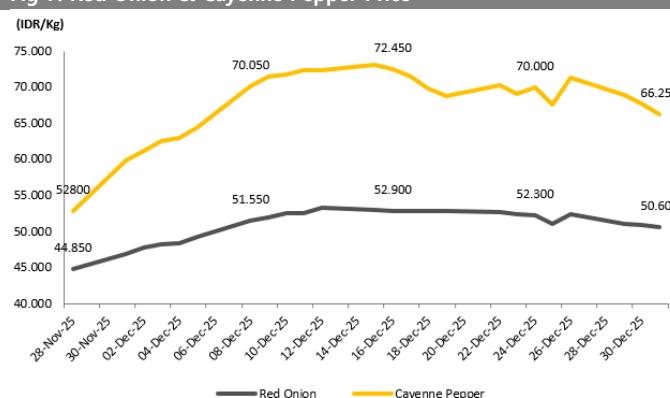
Fig 6. USD/IDR

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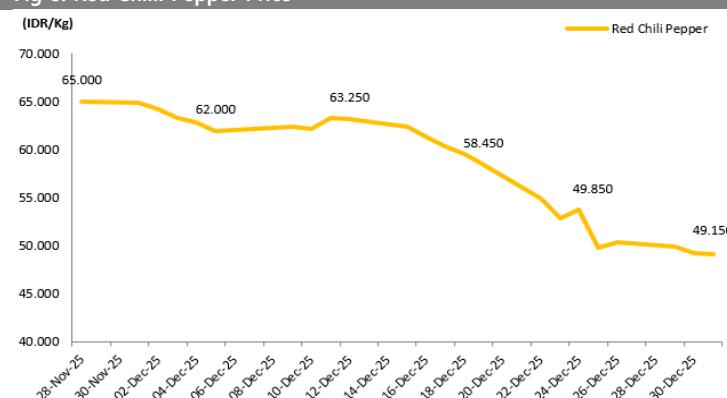
Sources: Bloomberg, KBVS Research – treated (2026)

Fig 7. Red Onion & Cayenne Pepper Price



Sources: BI, KBVS Research – treated (2026)

Fig 8. Red Chilli Pepper Price



Sources: BI, KBVS Research – treated (2026)

Table 1. CPI, WPI & Farmer Exchange Rate Dec '25

Indicators	Index		Inflation	
	Latest	M-1	MoM	YoY
Consumer Price Index (CPI)	109,92	109,22	0,64%	2,92%
Food, Beverages, and Tobacco	115,47	113,59	1,66%	4,58%
Clothing and Footwear	104,06	104,06	0,00%	0,66%
Housing, Water, Electricity, and Household Fuels	104,26	104,20	0,06%	1,62%
Equipment, Tools, and Routine Household Maintenance	104,08	104,08	0,00%	0,20%
Health	106,55	106,45	0,09%	1,83%
Transport	110,83	110,22	0,55%	1,23%
Info, Comm. and Financial Services	99,20	99,23	-0,03%	-0,28%
Recreation, Sport and Culture	105,48	105,37	0,10%	1,17%
Education Services	106,20	106,19	0,01%	1,22%
Food and Beverages Services/Restaurants	108,20	108,06	0,13%	1,46%
Personal Care and Other Services	128,31	127,04	1,00%	13,33%
Core inflation	107,86	107,65	0,20%	2,38%
Administered Price	110,90	110,49	0,37%	1,93%
Volatile Food	117,24	114,11	2,74%	6,21%
Wholesale Price Index (WPI)	106,30	105,40	0,85%	2,83%
Agriculture	111,87	107,83	3,75%	7,66%
Mining and Quarrying	101,15	100,83	0,32%	-0,26%
Manufacturing	108,84	107,68	1,08%	3,25%
Farmer Exchange Rate	125,35	124,05	1,05%	3,85%
Farmers Price Received Index	157,94	154,72	2,08%	30,22%
Farmers Price Paid Index	126,00	124,73	1,02%	-14,18%

Sources: BPS, KBVS Research - treated (2026)

Table 2. Commodity Price In Traditional Market

No.	Commodity	Price (Rp per Kg)					Monthly Price Change (%, ptp)
		30/11/2025	08/12/2025	15/12/2025	22/12/2025	31/12/2025	
I	Rice	15,700	15,700	15,750	15,750	15,750	0,32%
1	Lower Quality Rice I	14,300	14,350	14,400	14,400	14,400	0,70%
2	Lower Quality Rice II	14,300	14,300	14,350	14,350	14,350	0,35%
3	Medium Quality Rice I	15,850	15,850	15,900	15,900	15,900	0,32%
4	Medium Quality Rice II	15,700	15,750	15,750	15,800	15,800	0,64%
5	Super Quality Rice I	17,050	17,050	17,100	17,100	17,100	0,29%
6	Super Quality Rice II	16,550	16,600	16,600	16,650	16,650	0,60%
II	Chicken meat	40,000	41,050	41,450	41,600	41,550	3,87%
1	Fresh Race Chicken Meat	40,000	41,050	41,450	41,600	41,400	3,50%
III	Beef	137,650	137,850	137,950	138,650	138,800	0,84%
1	Quality 1 Beef	140,800	141,050	141,100	141,850	142,250	1,03%
2	Quality 2 Beef	132,750	133,000	133,100	133,950	134,550	1,36%
IV	Chicken eggs	31,900	32,550	32,800	33,000	32,900	3,13%
1	Fresh Chicken Eggs	31,900	32,550	32,800	33,000	33,000	3,45%
V	Red onion	44,850	51,550	52,950	52,650	51,050	13,82%
1	Medium Shallot	44,850	51,550	52,950	52,650	51,250	14,27%
VI	Garlic	39,150	39,750	39,950	40,100	40,550	3,58%
1	Medium Size Garlic	39,150	39,750	39,950	40,100	40,350	3,07%
VII	Red chili pepper	65,000	62,250	62,450	54,900	49,950	-23,15%
1	Large Red Chili	59,950	58,300	57,850	52,200	48,950	-18,35%
2	Curly Red Chili	65,050	64,100	64,650	56,100	51,800	-20,37%
VIII	Cayenne pepper	52,800	70,050	73,100	70,300	68,900	30,49%
1	Green Cayenne Pepper	47,350	57,750	61,250	62,000	63,700	34,53%
2	Red Cayenne Pepper	55,250	79,350	80,800	73,850	69,750	26,24%
IX	Cooking oil	21,050	21,050	21,100	21,150	21,150	0,48%
1	Bulk Cooking Oil	18,700	18,750	18,800	18,850	18,850	0,80%
2	Branded Packaging Cooking Oil 1	22,450	22,450	22,500	22,500	22,450	0,00%
3	Branded Packaging Cooking Oil 2	21,450	21,450	21,500	21,550	21,550	0,47%
X	Sugar	18,800	18,850	18,850	18,850	18,900	0,53%
1	Premium Quality Sugar	19,800	19,750	19,800	19,750	19,800	0,00%
2	Local Sugar	18,050	18,150	18,150	18,200	18,200	0,83%

Sources: BI, KBVS Research - treated (2026)

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