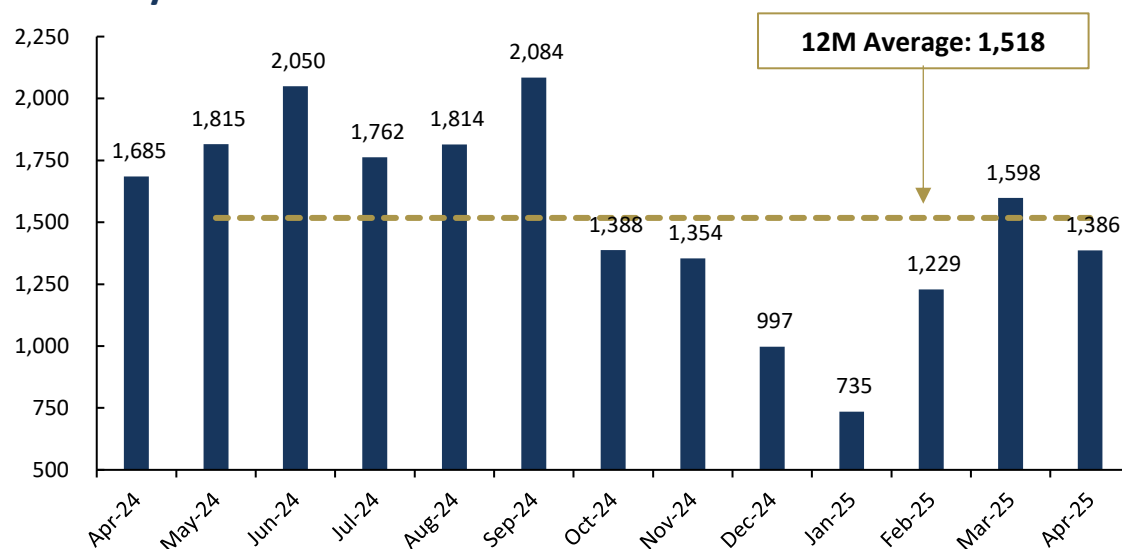


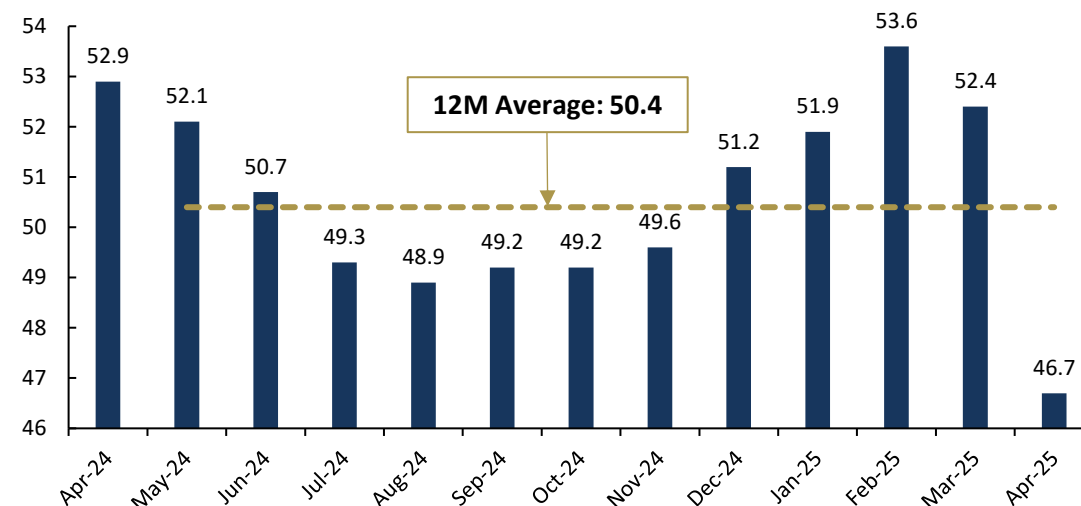
Indonesia Manufacturing PMI: 2 May 2025

- Indonesia's manufacturing sector experienced a sharp contraction in April, with the S&P Global Manufacturing PMI falling significantly to 46.7 from March's 52.4, marking its steepest decline since August 2021. This downturn aligns with our expectation (SSI Research), reflecting a seasonal correction following strong expansions during February and March, largely driven by production overshooting actual demand ahead of Ramadan and Lebaran.
- The notable drop in output—the sharpest in nearly four years—coupled with contracting domestic and export orders, signals weaker underlying demand conditions following festive-related boosts. Moreover, the softening demand resulted in decreased employment and scaled-back purchasing activities, though easing capacity pressures allowed supplier delivery times to improve for the first time since November. Input cost inflation moderated, albeit remaining elevated due to persistently strong US dollar, and firms continued raising selling prices at the fastest rate this year despite weakening demand.
- The decline in new orders, both domestic and international, underscores the vulnerability of the manufacturing sector toward shifts in seasonal demand cycles and external macroeconomic conditions. Export orders, which contracted for the second time in three months, reflect persisting global uncertainties, particularly amid ongoing trade disruptions and tariff negotiations involving major trading partners. Furthermore, the reduction in employment levels after five consecutive months of increases suggests cautiousness among manufacturers regarding future demand prospects, especially as backlog orders decrease.
- Nevertheless, improvements in supply chain performance provide a silver lining amidst broader sector weakness. The first improvement in supplier delivery times since November suggests logistical pressures have begun to ease, potentially reducing operational bottlenecks going forward. Additionally, although business confidence dropped to a three-month low, remaining below the historical average, sustained optimism — albeit tempered — suggests manufacturers' cautious preparedness to ramp up production should market conditions stabilize or demand signals become clearer.
- We anticipate manufacturing activity to gradually stabilize post-festive season, though short-term recovery could be moderate given muted business confidence and cautious consumer sentiment. Elevated input costs due to sustained currency pressure remain a critical challenge. While supplier efficiency improvements might marginally ease production pressures, overall sector recovery hinges significantly on domestic demand revival and global economic conditions stabilizing. Nevertheless, overall we expect unexciting PMI readings in subsequent months, weighed by global economic uncertainties and currency fluctuations, and also in line with our forecast for this year's 4.8% GDP growth.

Baltic Dry Index



Indonesia Manufacturing PMI



China Caixin Manufacturing PMI

