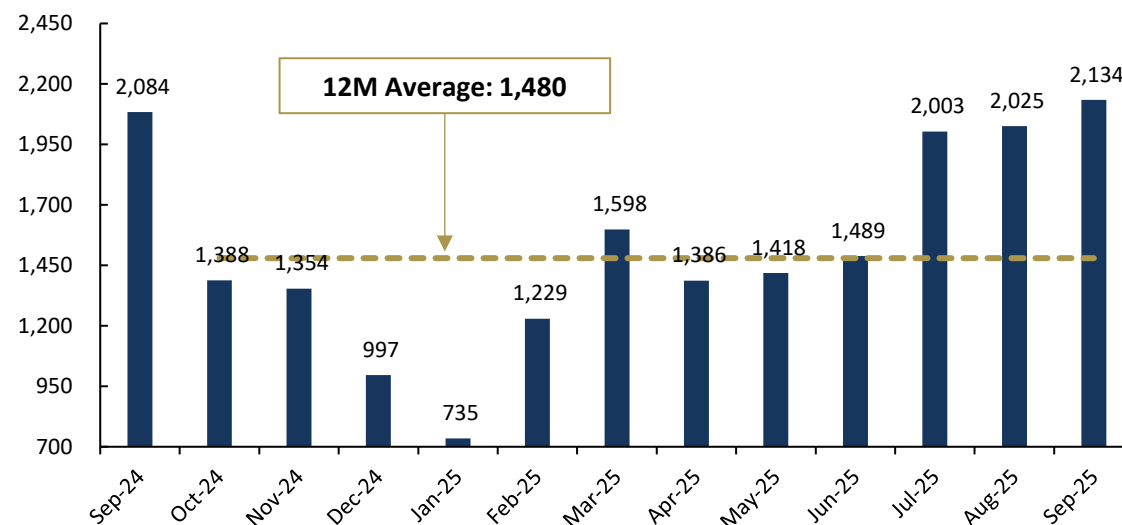


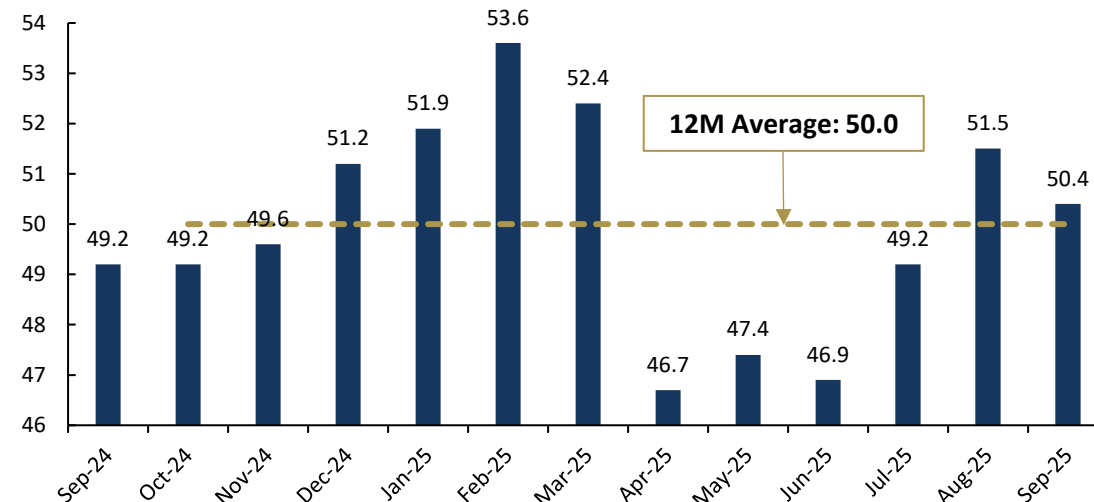
# Indonesia Manufacturing PMI: 1 October 2025

- The S&P Global Indonesia Manufacturing PMI slipped to 50.4 in Sep-25 from August's five-month high of 51.5, indicating a softer but still positive momentum in factory activities. This marks the second consecutive month of expansion, suggesting that Indonesia's industrial sector remains resilient despite lingering headwinds. New orders continued to rise, though at slower pace, highlighting a degree of sustained domestic demand, but overall output fell for the fifth time in six months as weak purchasing power constrained production. External demand also remained muted, with exports declining for the second time in three months, reflecting the challenging global trade environment.
- Despite these pressures, manufacturers showed cautious optimism by raising input purchases and expanding their workforce for a second consecutive month. Additional capacity allowed firms to reduce backlogs, while supply chain conditions improved markedly. Supplier delivery times recorded the fastest improvement in nearly two years, aided by more direct shipments, suggesting that logistical bottlenecks that weighed on production earlier in the year are beginning to ease.
- Price dynamics, however, signal potential risks ahead. Input cost inflation accelerated since February to its highest level, driven by broad-based increases in raw material prices. Yet output charges rose only modestly, implying firms are absorbing cost pressures rather than passing them on fully to customers. This margin squeeze could weigh on profitability in the near term, especially for companies with limited pricing power. On a positive note, business confidence strengthened to a four-month high, supported by expectations of better demand conditions and easing supply disruptions.
- Looking ahead, the manufacturing sector is expected to continue expanding, but at a measured pace. The divergence between rising new orders and declining outputs suggests that producers are cautious, prioritizing inventory management and efficiencies over aggressive production ramp-ups. While domestic demand provides a stable base, weak external orders remain a drag on momentum, limiting export-led growth. On the inflation side, input cost acceleration is a concern, but improving supply chains and modest output price adjustments should help keep broader price pressures in check.
- For markets, the PMI signals stabilization rather than reacceleration of growth. The contained nature of output price inflation means Bank Indonesia is unlikely to shift away from its easing bias, provided headline inflation remains within target and the IDR stays relatively stable. For bonds, the growth-light but still expansionary PMI backdrop is broadly supportive, especially as margin pressures indicate firms may restrain investment. For equities, the environment favors defensive sectors and companies with strong pricing power, while manufacturers facing rising costs without matching revenue growth could see profitability squeezed.
- Overall, the September PMI underscores a manufacturing sector that is still finding its footing, with cautious optimism prevailing but structural challenges—particularly on external demand and cost pass-through—continuing to shape the outlook.

## Baltic Dry Index



## Indonesia Manufacturing PMI



## China Caixin Manufacturing PMI

