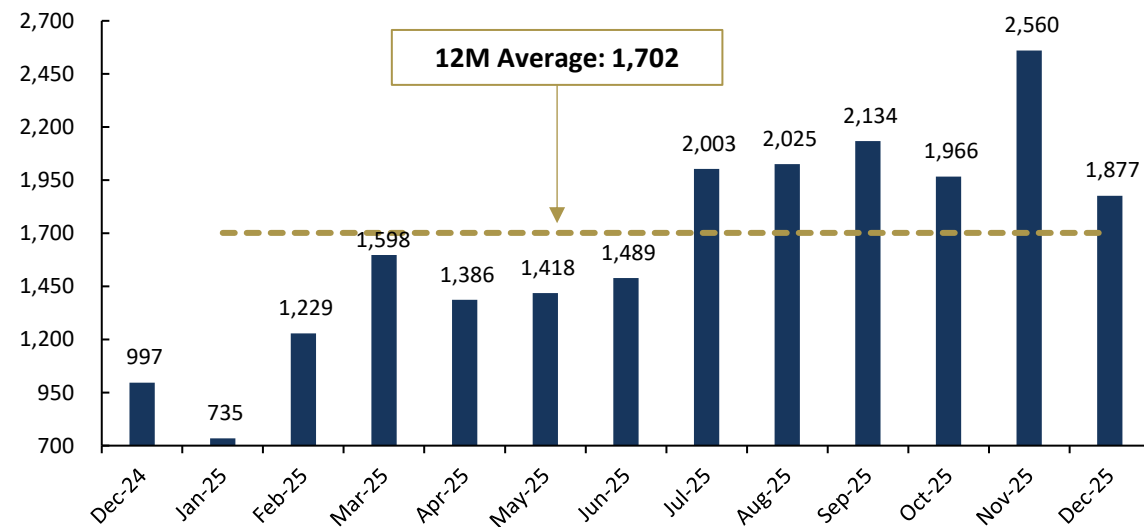


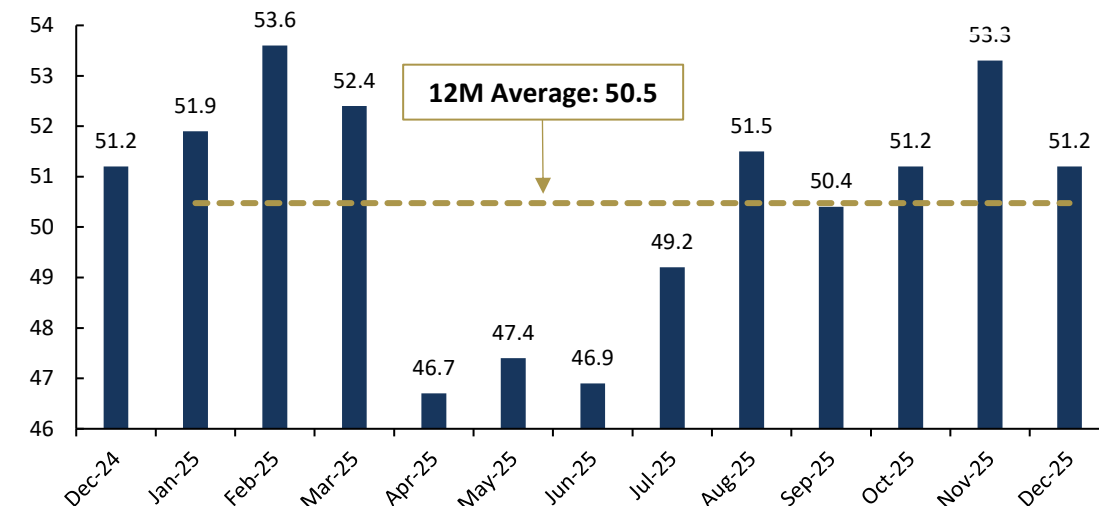
Indonesia Manufacturing PMI: 2 January 2026

- Indonesia's S&P Global Manufacturing PMI eased to 51.2 in December from November's nine-month high of 53.3, but still remaining in expansion territory for a fifth consecutive month. The moderation points to normalization post November's solid performance rather than a reversal in momentum. Domestic demand continued to underpin activity, although the pace of new orders and hiring slowed, suggesting corporates are becoming more selective amid cost pressures and capacity constraints.
- Supply-side frictions were again a defining feature. Backlogs rose for a second straight month, indicating persistent capacity pressures, while output growth was capped by raw-materials shortages and lengthening delivery times—now extending for a third month, partly due to adverse weather. Firms responded by building pre-production inventories, reflected in higher buying activity and notable rise in post-production stocks to the joint-highest level in six years. This inventory accumulation signals caution but also preparation for anticipated demand rather than outright weakness.
- Cost dynamics showed tentative relief. Input cost inflation remained elevated but eased to a four-month low, offering some breathing room after months of pressure from raw-materials prices and supply shortages. Output charges were raised again, though at a slower pace than in November, implying that pricing power is becoming more constrained as demand growth cools slightly and competition intensifies. Notably, foreign sales declined for a fourth month, underscoring ongoing softness in external demand and the uneven global manufacturing cycle.
- From a broader macroeconomic perspective, the PMI developments are broadly consistent with Indonesia's late-2025 macro backdrop. Inflation has remained within Bank Indonesia's target range, helping anchor input cost expectations even as firms continue to face supply bottlenecks. Monetary policy has turned more growth-supportive, with policy rates at their lowest level since 2022, improving domestic financing conditions and supporting working-capital cycles for manufacturers. At the same time, ample foreign-exchange reserves have helped limit imported inflation pressures, though weaker external demand—reflected in softer exports and a narrowing trade surplus—continues to weigh on foreign orders. In this context, manufacturing expansion is increasingly domestically driven, reinforcing the role of household consumption and government spending as key growth anchors.
- Looking ahead, the PMI profile suggests moderate but resilient manufacturing expansion in early 2026. Domestic demand, inventory rebuilding, and expectations of new product launches should keep activity above the 50 threshold. However, upside will depend on further easing in input costs, improvements in logistics, and recovery in export orders. With inflation pressures showing early signs of moderation and confidence at its highest since September, manufacturers appear cautiously optimistic—but the balance of risks remains tilted toward supply constraints and external demand softness rather than a sharp acceleration.

Baltic Dry Index



Indonesia Manufacturing PMI



China Caixin Manufacturing PMI

