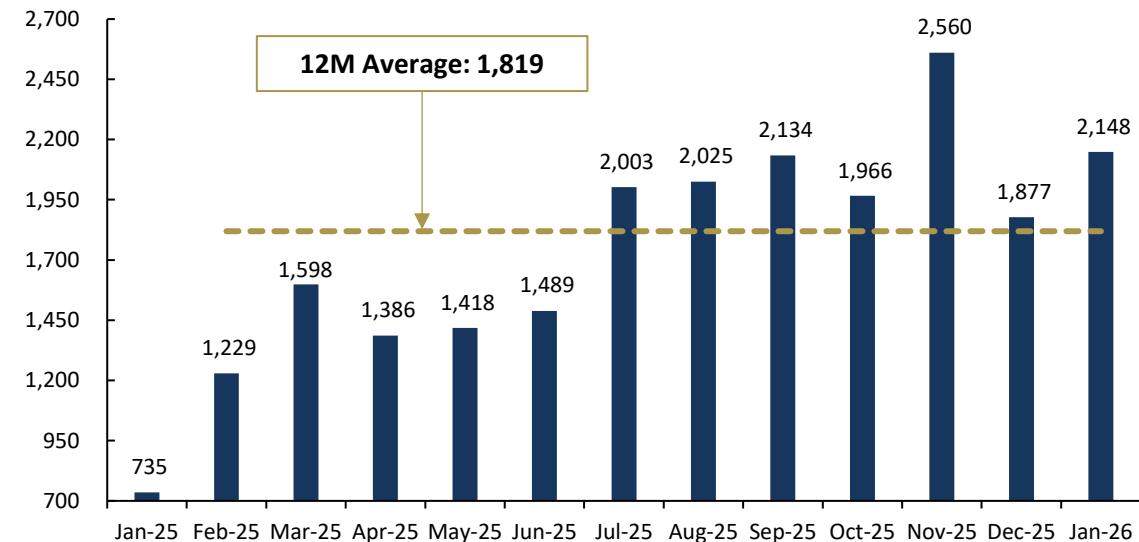


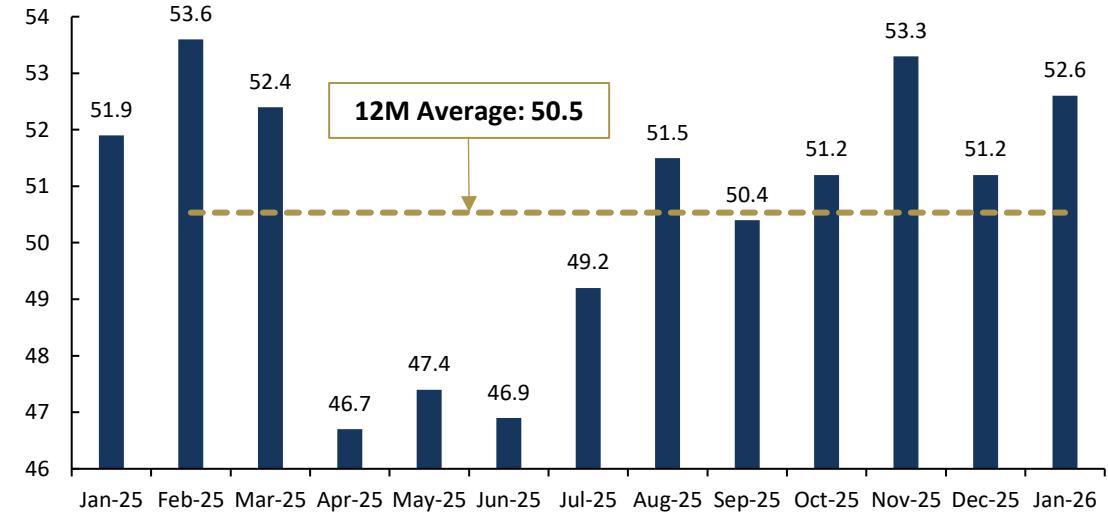
Indonesia Manufacturing PMI: 2 February 2026

- In the lead up to Lebaran festivities, Indonesia's manufacturing sector extended its positive momentum at the start of 2026, with the S&P Global Manufacturing PMI climbing further into expansionary territory at 52.6 in January from 51.2 previously. The acceleration also reflects a broad-based improvement in operating conditions, led by stronger output growth and a sustained six-month rise in new orders—backed by local holiday festivities of Christmas, Chinese New Year and Idul Fitri, despite tighter financial conditions and a more cautious global backdrop.
- Supply-side frictions, however, are beginning to re-emerge. Supplier delivery times lengthened to the sharpest degree in more than four years, driven by robust input demand and weather-related disruptions. This has translated into rising backlogs for a third consecutive month—evidence that capacity utilization is tightening again across segments of the manufacturing chain. While employment dipped marginally after six months of expansions, we see this more as short-term adjustment than a deterioration in labor demand, particularly as firms remain cautious in hiring amid lingering cost uncertainties.
- From an inflation perspective, the PMI continues to offer a relatively constructive signal. Input price pressures remain elevated but stable and still below long-run averages, while output price inflation softened to a three-month low. This suggests that, for now, manufacturers retain some ability to absorb cost increases without aggressively passing them on to consumers—supporting the view that pipeline inflation risks remain contained in early 2026 despite recent IDR depreciation.
- Looking ahead, the PMI trajectory will see challenges post the Lebaran holiday season with Indonesia's real-sector momentum put to test. Can the combination of rising new orders, inventory rebuilding, and improving business sentiment—now at a ten-month high—holds up in 2Q26 and beyond, providing a stabilizing anchor for GDP growth, particularly as consumption-linked industries face potential continued weaker IDR, complicating production cycles.
- That said, emerging supply bottlenecks warrant monitoring. If delivery delays persist, cost pressures could gradually rebuild in coming months—especially if weather disruptions extend into the next quarters. For now, however, the softening in output price inflation gives Bank Indonesia additional comfort that industrial recovery is not translating into immediate inflationary overheating. The risk to this is IDR depreciation which could stem from funds outflows, adversely impacting bond yields and government budget.

Baltic Dry Index



Indonesia Manufacturing PMI



China Caixin Manufacturing PMI

