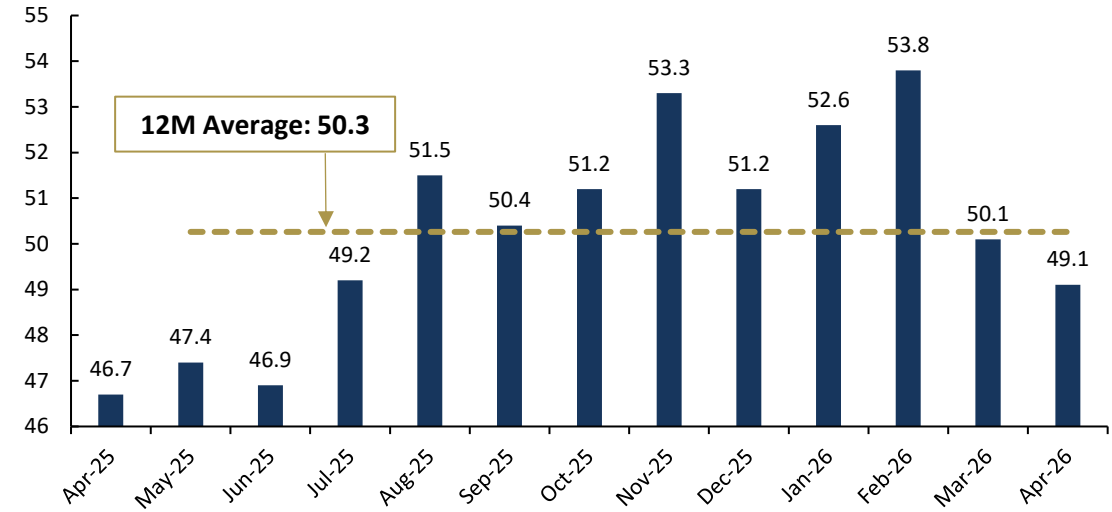


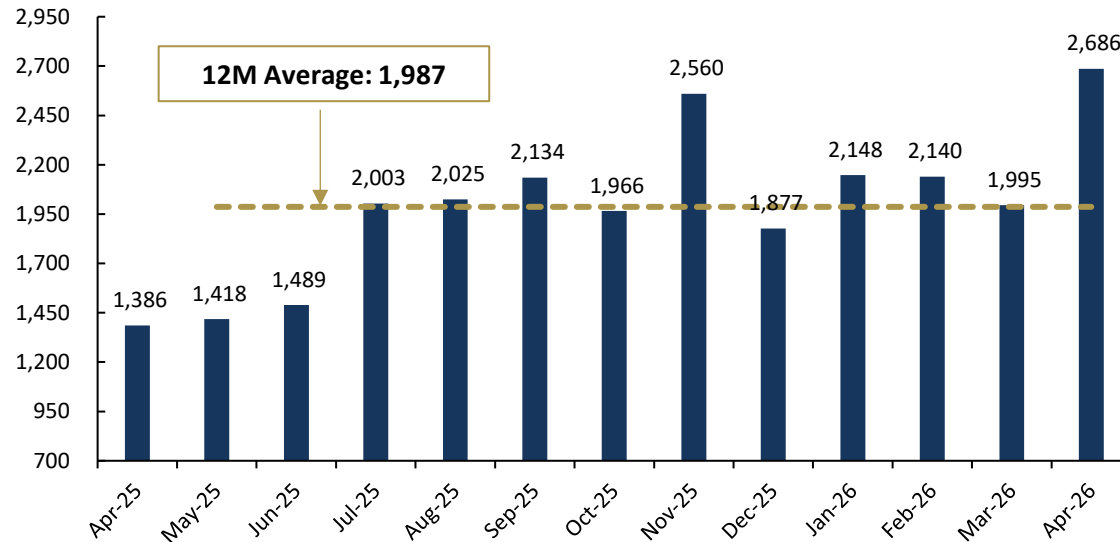
Indonesia Manufacturing PMI: 4 May 2026

- Indonesia's S&P Global Manufacturing PMI decline to 49.1 in April 2026—down from 50.1 in March—marks a notable inflection point, as the sector slips back into contraction territory for the first time in nine months. Importantly, this outturn is broadly in line with SSI's expectations, particularly when contextualized within two key transitory headwinds: the post-festivities normalization effect following Ramadan–Idul Fitri and the intensifying geopolitical drag stemming from Middle East tensions.
- From a demand perspective, the picture is nuanced. While headline output and employment indicators weakened—with job shedding accelerating to its fastest pace in ten months—the persistence of marginal growth in new orders suggests that underlying demand has not fully collapsed. However, the composition of this demand warrants caution: much of the increase appears to be driven by front-loading behavior, as firms and clients anticipate further cost escalation and supply chain disruptions. This aligns with a broader pattern we have observed globally, where precautionary ordering distorts near-term demand signals. Meanwhile, declining backlogs and reduced purchasing activity reinforce the notion that firms are entering a more defensive operational stance.
- On the supply side, constraints remain binding. Delivery delays and ongoing input shortages have forced manufacturers to draw down inventories, indicating that production is being sustained not by fresh input flows but by existing stock buffers. More concerning, however, is the sharp escalation in cost pressures, with input inflation reaching a four-year high. This has translated into aggressive output price adjustments—the steepest since October 2013—raising the risk of cost-push inflation dynamics spilling over into broader price stability, particularly if sustained over multiple months.
- Business sentiment, meanwhile, has softened to a five-month low, reflecting heightened uncertainty tied to prolonged geopolitical tensions. The Middle East conflict continues to act as an external shock amplifier, affecting energy prices, logistics costs, and global risk sentiment. For Indonesia, this translates into tighter financial conditions, currency pressures, and a more cautious corporate outlook—factors that collectively weigh on manufacturing confidence and forward planning.
- Looking ahead, we maintain a cautiously constructive view with recovery trajectory contingent on three key factors: (i) the evolution of geopolitical risks and their impact on global supply chains and commodity prices, (ii) dissipation of sentiment from rating agencies' negative outlook on widening budget deficit, and (iii) policy support, especially from Bank Indonesia in maintaining macro stability amid external volatility. In this environment, the manufacturing sector is likely to remain range-bound in the near term with downside risks from external shocks balanced by resilience in domestic demand, but currently eroded by cost push inflation on the back of persistent IDR depreciation.

Indonesia Manufacturing PMI



Baltic Dry Index



China Caixin Manufacturing PMI

