Indonesia Manufacturing PMI: 2 June 2026

- Indonesia's manufacturing sector showed tentative signs of stabilization in May 2026, with the S&P Global Manufacturing PMI rising to 50.0 from 49.1 in April, returning to the threshold that separates expansion from contraction. The latest reading suggests continued gyrations in manufacturing activity with potential of gradual recovery following softness observed in April on Mid-East uncertainty and Lebaran-related inactivity.
- A closer look at the report suggests that the improvement was primarily driven by the domestic market, helped by post Lebaran order workflows. New orders expanded for a second consecutive month and accelerated to the fastest pace since February, indicating that household consumption and domestic business activity remain relatively supportive. This is consistent with other high-frequency indicators showing that Indonesia's domestic economy continues to exhibit some resilience amidst heightened global uncertainty.
- Nevertheless, the report also highlights growing divergence between domestic and external demand. Export orders contracted for a third consecutive month and recorded the sharpest decline since August 2021, reflecting ongoing disruptions to global trade flows stemming from continued conflict due to the Iran War. The deterioration in external demand remains a key concern, particularly for export-oriented manufacturing industries that rely heavily on global supply chains and overseas markets.
- Another notable development was the sharp acceleration in cost pressures. Input cost inflation rose to its second-highest level on record, driven largely by rising raw materials prices and logistics costs. Manufacturers responded by passing through higher costs to customers, resulting in the strongest increase in selling prices since October 2013. While the current inflationary pressure appears largely supply-driven, it nonetheless poses upside risks to producer prices which would undoubtedly spill over into consumer inflation if sustained.
- Labor market conditions remained relatively cautious. Employment declined for a third consecutive month, although the pace of reduction was marginal, suggesting that firms remain hesitant to undertake significant workforce expansion amid an uncertain both internal and external environment. Meanwhile, although business sentiment improved slightly, confidence levels remain subdued compared with historical averages, reflecting lingering concerns over domestic as well as global risks.
- Looking ahead, we maintain a cautiously constructive view on Indonesia's manufacturing sector. The return of the PMI to the neutral 50.0 level suggests a temporary reprieve following Lebaran business inactivity, but whether the worst of the recent slowdown is behind us would very much hinge on improving internal and external sentiment. Manufacturing momentum and recovery in new domestic orders in the coming months require IDR stability, prudent fiscal management and easing monetary conditions.

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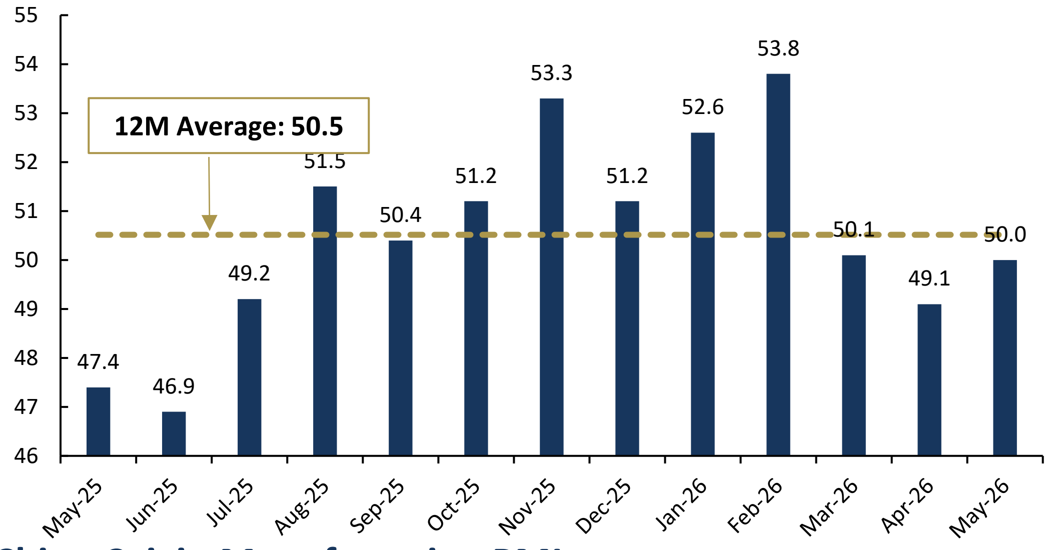
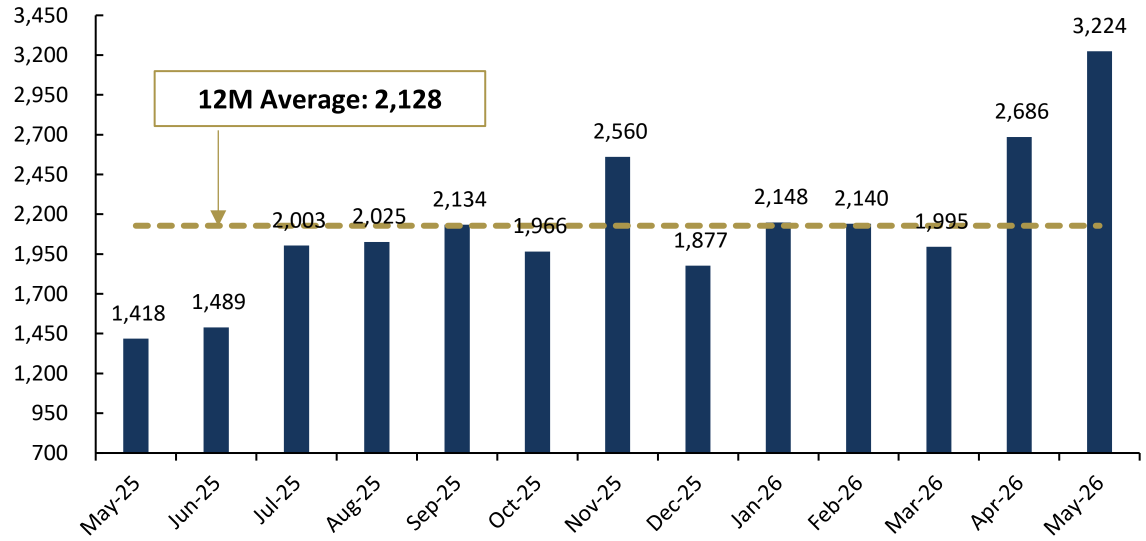


Baltic Dry Index



China Caixin Manufacturing PMI