Indonesia Manufacturing PMI: 3 August 2026

- Indonesia's manufacturing sector displayed tentative improvement at the beginning of 3Q26, with S&P Global Manufacturing PMI rising to 50.2 in July from 46.9 in June. While the index returned above 50-point expansion threshold and reached its highest level since February, the reading remains only marginally in expansion territory. This suggests that June's sharp contraction may have partly reflected temporary disruptions, but it is still too early to conclude that manufacturing activity has entered a sustained recovery.
- Survey details were somewhat more constructive, although underlying momentum remained weak. Manufacturing output increased for the first time in five months, while new orders broadly stabilized following June's sharp decline. Backlogs also rose at their fastest pace since November 2025, contributing to first increase in employment in five months. However, these improvements came from a low base and were not strong enough to signal a meaningful acceleration in production nor demand.
- Several indicators continued to highlight cautious business conditions. Purchasing activity declined again, suggesting that manufacturers remain reluctant to rebuild inventories or expand production capacity. Export orders also contracted for a fifth consecutive month, indicating that external demand remains a major drag. As a result, July's improvement appears to have been driven mainly by stabilization in domestic demand, leaving recovery vulnerable to weaker global trade and regional supply-chain conditions.
- Price developments were also mixed. Input-cost inflation eased to a four-month low as material availability improved, providing limited relief to operating costs. Nevertheless, raw-materials prices remained elevated, while manufacturers continued to raise selling prices. Persistent cost pass-through may weigh on consumer demand and could limit room for Bank Indonesia to ease policy if inflationary pressures remain sticky.
- From a financial-market perspective, July PMI is only mildly positive for domestic equities. Industrial, basic-material, logistics, and selected consumer-cyclical companies may benefit from improving activities, but upside is likely to remain capped until new orders and exports show clearer recovery. Impact on government bonds should be broadly neutral, while IDR support is likely to be modest given continued weakness in external demand.
- Looking ahead, Indonesia's manufacturing sector is likely to experience a slow and uneven recovery in 2H26. Stabilizing orders, higher backlogs, renewed hiring, and improving confidence suggest that activity may have passed its June low. However, weak purchasing activity, limited output growth, and persistent export contraction indicate that PMI could remain close to 50, with downside risks still elevated if domestic demand softens or global trade conditions deteriorate.

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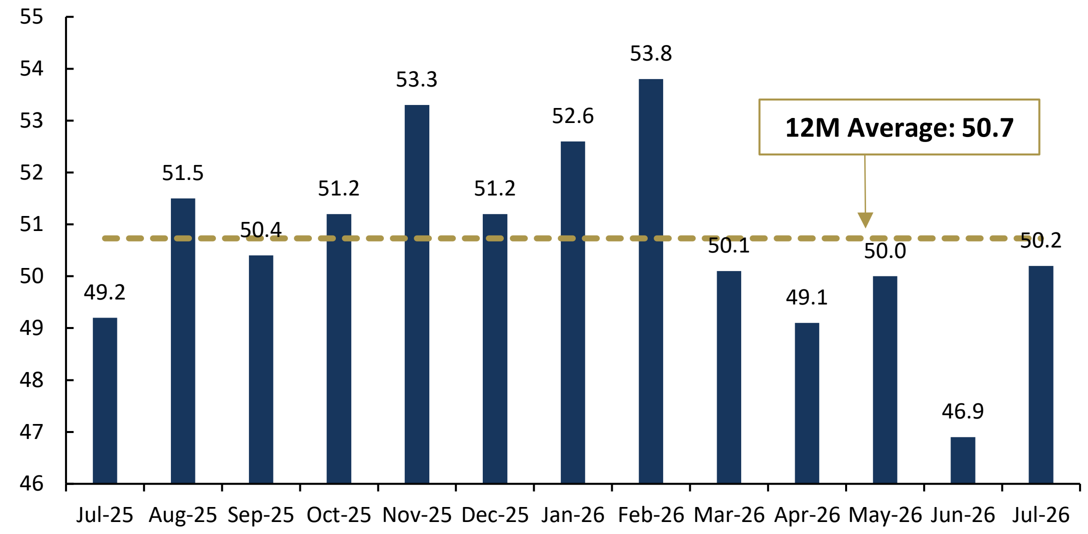
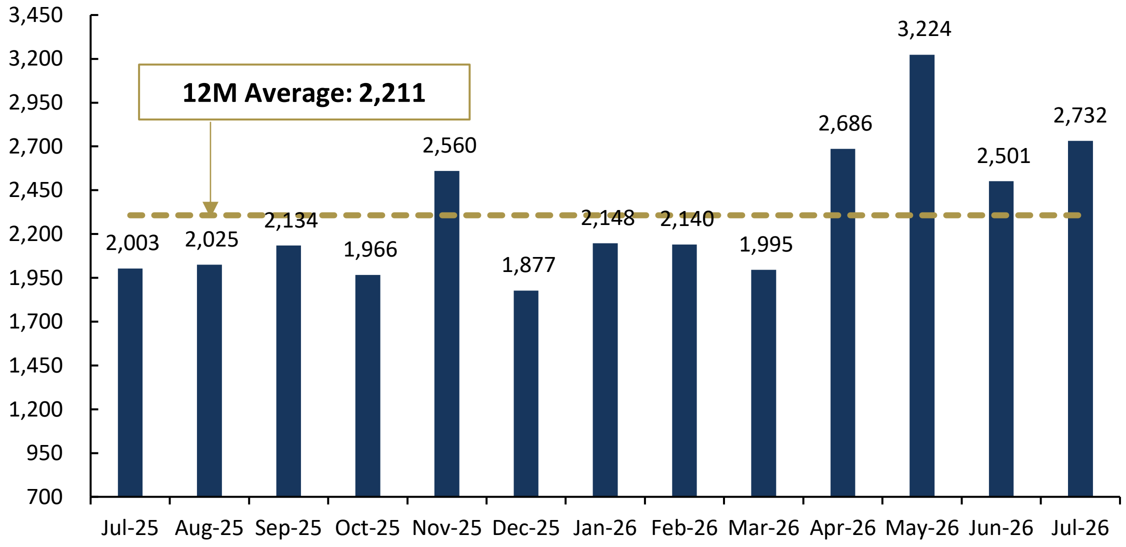


Baltic Dry Index



China Caixin Manufacturing PMI