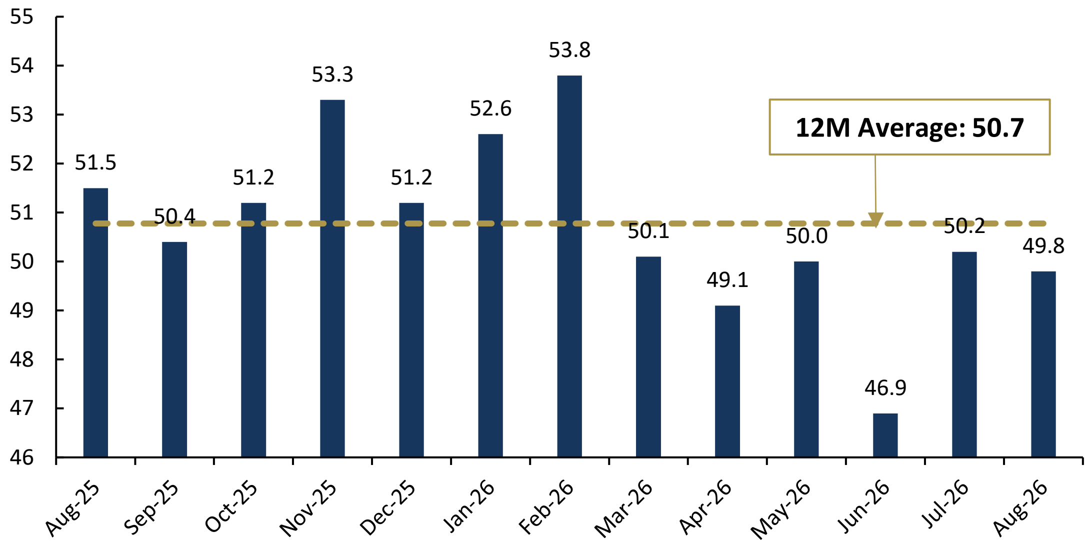
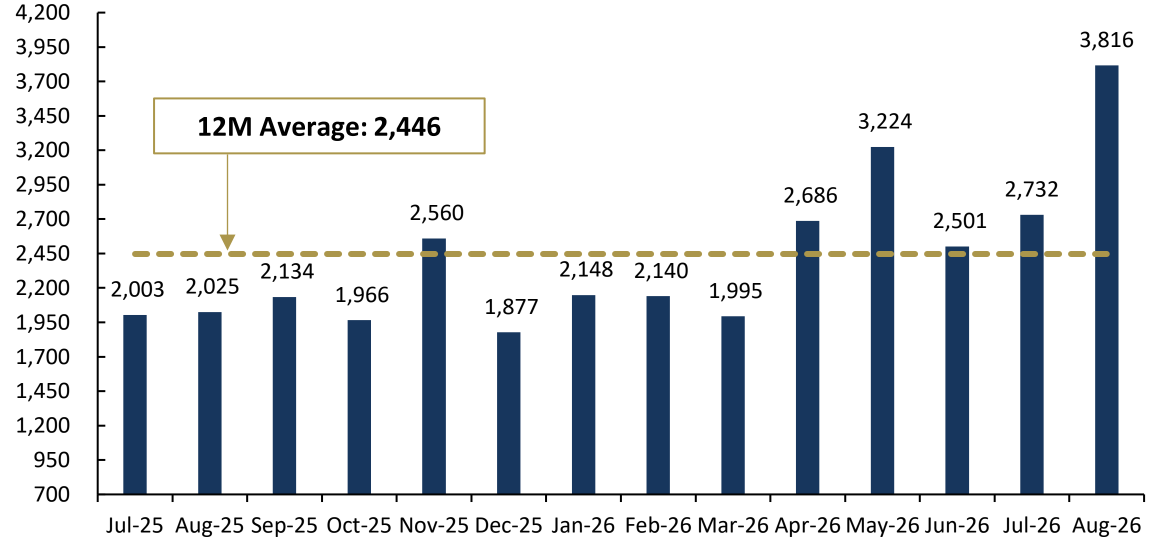
Indonesia Manufacturing PMI: 1 September 2026

- Indonesia's S&P Global Manufacturing PMI slipped back into contraction territory, declining to 49.8 in August from 50.2 in July, indicating that the manufacturing recovery remains fragile following only a brief return to expansion. The sub-50 reading highlights persistent challenges, with output and employment both contracting in five of the past six survey periods as firms remain cautious amid uncertain demand conditions.
- The underlying data suggest that manufacturing activity remains uneven, pointing to limited near-term production support. Purchasing activity, after five months of contraction, remained subdued, reflecting cautious inventory management. Meanwhile, improvement in business confidence to a seven-month high has yet to translate into stronger production or hiring activity, as weak employment trends and soft output growth indicate companies remain hesitant in expanding capacity.
- From a market perspective, we view the August PMI as mildly negative, reinforcing our view that manufacturing weighs on Indonesia's growth outlook. The decline highlights ongoing challenges from weak external demand and limited local manufacturing momentum. The impact is relatively neutral to slightly negative for government bonds from a growth perspective, while equities remain mixed, particularly for manufacturing names. For the IDR, the PMI impact should remain limited for now, but further contractions ahead would undoubtedly drag down our local currency, although markets will also weigh outcomes stemming from external balances, global risk sentiment and Bank Indonesia's policy stance.
- Looking ahead, we expect manufacturing activity to remain around the 50 threshold in the near term, with developments depending on domestic demand and global trade conditions. The lack of meaningful recovery in output and employment suggests that manufacturing rebound may remain slow and uneven. External demand remains as major downside risk, particularly as S&P Global Market Intelligence recently projected Indonesia's real export growth to slow to 2.5% in 2026 from 9.6% in 2025, highlighting continued external pressure. Thus, the latest PMI reading reinforces our view that growth will primarily be supported by domestic demand and investment.

Indonesia Manufacturing PMI



Baltic Dry Index



China Caixin Manufacturing PMI