

# S&P Global Indonesia Manufacturing PMI<sup>®</sup>

## Manufacturing output falls as war in the Middle East hits demand and supply

### March 2026

Renewed falls in output and new orders

Delivery delays most marked since October 2021

Inflationary pressures intensify

Operating conditions in Indonesia's manufacturing economy stagnated at the end of the first quarter of 2026.

Renewed reductions in both output volumes and new business intakes were recorded in March. Panel member reports often suggested that the war in the Middle East impacted the price and supply of raw materials, in turn disrupting demand and the production of manufactured goods. Moreover, muted overall conditions contributed to renewed moderations in purchasing, backlogs and employment. Business confidence edged higher but remained below the long-run average.

On the price front, input cost inflation accelerated from the previous survey period and reached the highest since March 2024. Consequently, output charges were raised at the fastest pace since June 2022.

The headline S&P Global Indonesia Manufacturing Purchasing Managers' Index™ (PMI<sup>®</sup>) posted 50.1 in March, down from 53.8 in February, indicating a broad stagnation in operating conditions.

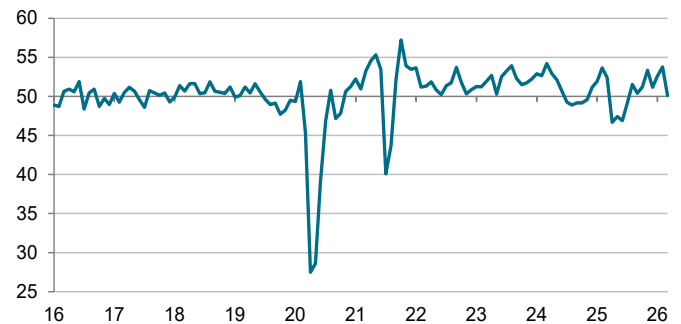
March data signalled a renewed fall in production levels following four months of growth and a marked increase in February. The rate of decline was modest but the steepest since June 2025. Panellists reported that the decrease commonly reflected raw material supply shortages and higher material prices, partly due to the war in the Middle East and turbulence in the global economy.

Concurrently, there was a moderation in new order volumes for the first time in eight months during March. The contraction was only marginal, but represented a marked turnaround from the sharp expansion in the previous survey period. Manufacturers mentioned that subdued demand and higher competition had weighed on new business intakes. New export orders also decreased following a rise in February.

Muted demand alleviated capacity pressures and allowed firms to complete existing work. Backlogs of work fell for the first time since last October. Meanwhile, reduced sales led to a further rise in post-production inventories as unsold products were held in stock.

In line with the trends for production and demand, firms lowered employment levels for the second time in three months, albeit only slightly. At the same time, manufacturers lowered purchasing activity for the first time since July 2025, with anecdotal evidence also suggested that higher material prices and supply shortages

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Index, sa, >50 = improvement m/m



Data were collected 09-24 March 2026.

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### Comment

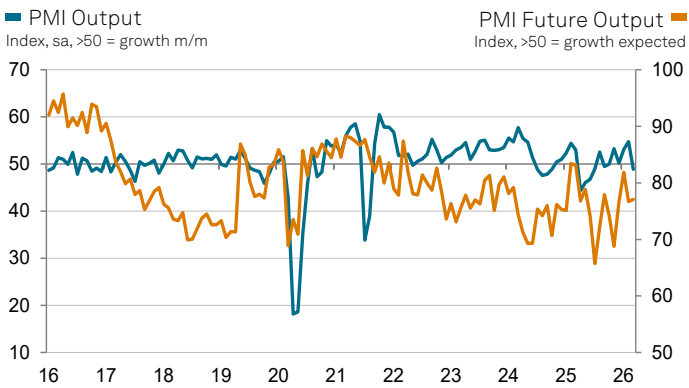
Usamah Bhatti, Economist at S&P Global Market Intelligence said:

"March's survey data indicated renewed downturns in both output and new order intakes in the Indonesian manufacturing sector, with the former falling at the steepest rate in nine months. The fall in demand meanwhile was also attributed to sharp reversal in new export demand, which fell at the steepest rate since last November.

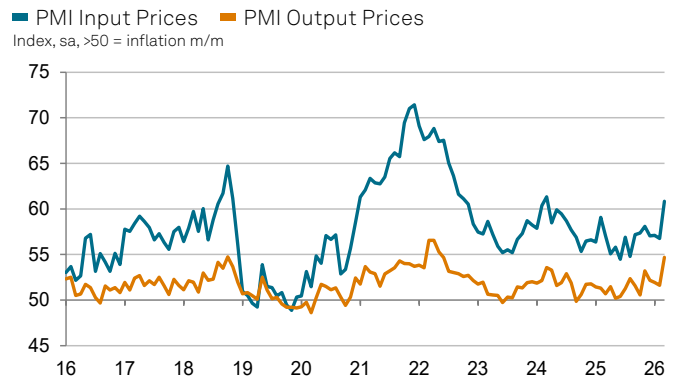
"According to panel member reports, a key factor behind the malaise at the end of the first quarter was the outbreak of war in the Middle East. Anecdotal evidence suggested the war had placed substantial pressure on the price and supply of raw materials, which weighed on production and demand, but also pushed cost inflation to the highest in two years. Moreover, weaker production and capacity requirements pushed companies into retrenchment mode as they reduced both purchasing activity and employment levels."

"Manufacturers remain confident that output would rise over the year. That said, March data highlights the vulnerability of Indonesia's manufacturing economy to the war, notably from a price and supply front."

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were key factors behind the decline.

In fact, average lead times for input deliveries lengthened for the sixth successive month, amid reports of material shortages and shipping delays following the outbreak of war in the Middle East. As such, delivery delays were the most pronounced since October 2021. Firms looked to raise stocks of inputs as part of efforts to protect against delays and price increases, though these efforts were hindered by the aforementioned issues. As a result, the rate of accumulation was the softest in six months.

Indonesian goods producers signalled higher input prices in the latest survey period. The rate of inflation was marked and reached the highest for exactly two years. This was generally linked to higher raw material prices amid shortages and delivery delays. Firms sought to pass higher input costs on to clients by raising factory gate charges to the greatest extent since June 2022.

Looking ahead, Indonesian manufacturers signalled optimism regarding the outlook for the coming year. The degree of confidence was robust, and ticked up from February. Optimism was underpinned by hopes that demand would resume its positive path, and that there would not be a further intensification of the conflict in the Middle East. Sentiment was below the series average, however.

### Methodology

The S&P Global Indonesia Manufacturing PMI® is compiled by S&P Global from responses to questionnaires sent to purchasing managers in a panel of around 400 manufacturers. The panel is stratified by detailed sector and company workforce size, based on contributions to GDP. Data collection began in April 2011.

Survey responses are collected in the second half of each month and indicate the direction of change compared to the previous month. A diffusion index is calculated for each survey variable. The index is the sum of the percentage of 'higher' responses and half the percentage of 'unchanged' responses. The indices vary between 0 and 100, with a reading above 50 indicating an overall increase compared to the previous month, and below 50 an overall decrease. The indices are then seasonally adjusted.

The headline figure is the Purchasing Managers' Index™ (PMI). The PMI is a weighted average of the following five indices: New Orders (30%), Output (25%), Employment (20%), Suppliers' Delivery Times (15%) and Stocks of Purchases (10%). For the PMI calculation the Suppliers' Delivery Times Index is inverted so that it moves in a comparable direction to the other indices.

Underlying survey data are not revised after publication, but seasonal adjustment factors may be revised from time to time as appropriate which will affect the seasonally adjusted data series.

For further information on the PMI survey methodology, please contact [economics@spglobal.com](mailto:economics@spglobal.com).

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