

# News Release

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

### Marked growth of Indonesia's manufacturing sector

#### Key findings

Output expands at fastest rate since December 2021

Factory orders rise sharply in March

Inflationary pressures intensify

March data showed stronger growth across Indonesia's manufacturing industry, with faster gains in both output and new orders recorded. To accommodate for buoyant demand and rising production requirements, firms acquired inputs to the greatest extent in over two years, which in turn underpinned a record upturn in stocks of purchases.

Capacity pressures remained mild which, combined with downgraded business confidence, resulted in broadly no change in employment. Meanwhile, latest data showed sharper increases in both input costs and output charges.

The headline seasonally adjusted S&P Global Indonesia Manufacturing Purchasing Manager's Index™ (PMI<sup>®</sup>) climbed from 52.7 in February to 54.2 in March, highlighting the fastest improvement in operating conditions in nearly two-and-a-half years. The upward movement in the headline figure reflected stronger readings for three of its five sub-components: new orders, output and stocks of purchases.

Companies observed the quickest increase in new order inflows since August 2023. A greater number of events, favourable demand trends and new client wins fuelled growth, anecdotal evidence showed.

Buoyed by the upturn in new orders, firms scaled up production volumes. The rate of expansion in output was sharp and the strongest in 27 months.

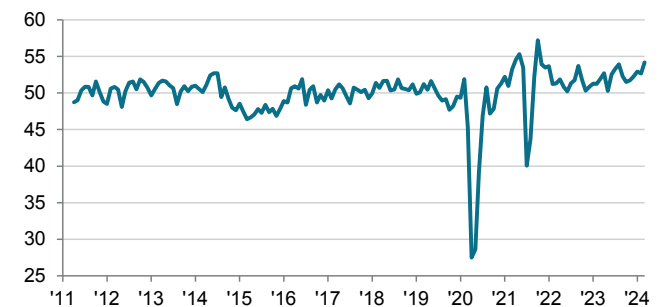
March data showed that the increase in total order books was domestically driven, as international sales slipped into contraction territory after stagnating in February.

To fulfil rising sales and greater production requirements, manufacturers in Indonesia sought to rebuild their inventories by acquiring additional materials. Buying levels expanded at a steep rate that was the strongest in over two years.

Suppliers to the Indonesian manufacturing sector increased their list prices in March, resulting in the sharpest rise in

S&P Global Indonesia Manufacturing PMI

sa, >50 = growth since previous month



Source: S&P Global PMI.

Data were collected 12-21 March 2024.

#### Comment

Pollyanna De Lima, Economics Associate Director at S&P Global Market Intelligence, said:

*"Indonesia's manufacturing industry enjoyed a stellar performance in March, with output growth hitting its highest in 27 months due to a notable rise in domestic demand for goods.*

*"The sting in the tail of this sharp upturn however is that price pressures gained momentum. Robust demand for inputs led to further price list adjustments at suppliers, with cost inflation accelerating to the strongest in a year-and-a-half. This fuelled the quickest increase in selling prices for 21 months as goods producers were comfortably able to pass additional cost burdens through to clients.*

*"While firms were confident that demand will remain favourable in the coming months, some doubted that such strength could be sustained on a longer horizon. Several businesses were prepared to acquire inputs and rebuild inventories, but less willing to recruit additional workers as pressures on capacity remained mild for now."*

PMI<sup>®</sup>

by S&P Global

overall cost burdens in a year-and-a-half. In some instances, cost pressures were attributed to unfavourable exchange rate movements.

Demand strength facilitated the passing on of cost rises to clients, with prices charged for Indonesian goods increasing solidly at the end of the first quarter. The rate of inflation picked up to a 21-month high and outpaced its long-run average.

With regards to capacities, the latest results showed a lack of pressure at vendors and mild strain at goods producers. Average lead times on inputs were broadly stable, as has been the case in each month since last November. Panellists signalled a slight increase in their outstanding business, albeit one that was the most pronounced in close to a year.

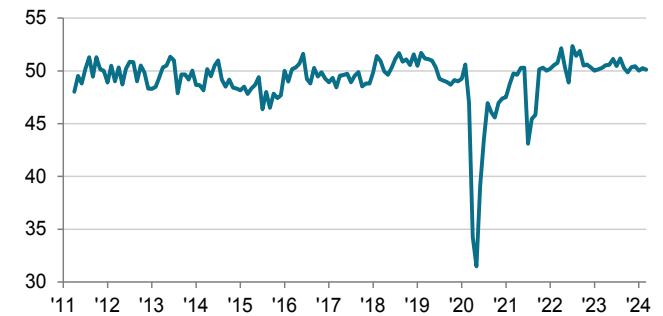
Still, the vast majority of manufacturers (94%) opted to leave payroll numbers unchanged in March, continuing the trend of broadly stable employment seen since September 2023.

One factor that restricted job creation was concerns among some firms regarding whether the current trend of robust sales growth can be maintained. Sentiment surrounding the outlook remained positive, but faded to the weakest in over a year.

The latest results showed a record increase in input inventories at goods producers in Indonesia, which panellists linked to the scaling up of buying levels and timely deliveries from suppliers. Stocks of finished goods also rose, albeit at a slight rate that was broadly similar to that registered in February.

### Indonesia Manufacturing PMI Employment Index

sa, >50 = growth since previous month



Source: S&P Global PMI.

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### Survey 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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