

News Release

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S&P Global Indonesia Manufacturing PMI™

Manufacturing sector expands at quicker pace in August

Key findings

Faster rises in output and total new orders...

... as inflationary pressures ease

Renewed upturn in inventories

Business conditions across the Indonesian manufacturing sector improved at the fastest pace for four months in August, according to the latest S&P Global PMI™ data. Manufacturing production and new orders both expanded at quicker rates as underlying demand conditions improved, which drove further increases in staffing levels and purchasing activity. A stronger upturn in backlogs of work was also recorded in August amid reports of new orders exceeding output. Meanwhile, softer rises in input and output prices pointed to an easing of overall inflationary pressure across the Indonesian manufacturing economy. Despite this, business confidence towards the 12-month outlook for output dipped from July.

The headline seasonally adjusted S&P Global Indonesia Manufacturing Purchasing Manager's Index™ (PMI™) posted at 51.7 in August, up from 51.3 in July. The above 50.0 PMI reading meant that overall operating conditions across Indonesia's manufacturing sector have now improved in each of the past 12 months. Despite only being mild, the rate of improvement was the strongest in four months.

Production at Indonesian manufacturing firms rose for a third consecutive month in August and at the joint-quickest rate in seven months. Panel members frequently mentioned that output had increased as economic conditions continued to recover from the pandemic.

Amid reports of strengthening underlying demand conditions, new orders expanded at the quickest pace in six months. The upturn in sales was mainly driven by firmer domestic demand, as new export orders contracted for the third month in a row.

Job creation was sustained in August, though overall employment expanded at a slower pace than in July. Meanwhile, higher volumes of new work led to greater amounts of outstanding business in August. The rate of backlog accumulation quickened to the fastest in ten

S&P Global Indonesia Manufacturing PMI

sa, >50 = growth since previous month



Source: S&P Global.

Data were collected 12-23 August 2022.

Comment

Laura Denman, Economist at S&P Global Market Intelligence, said:

"Manufacturers in Indonesia registered a stronger improvement in overall business conditions in August, according to latest PMI survey data. More pronounced growth in both output and total new orders was an encouraging sign for the future health of the economy, with firms frequently mentioning firmer underlying demand conditions. The continued easing of inflationary pressure was another positive aspect of August's survey, which saw both input and output cost inflation moderate to a 14-month low. We can hope to see a sustained easing of price pressures as the impacts of COVID-19 continue to recede."

"However, despite August data displaying obvious signs of economic growth across Indonesia's manufacturing economy, overall business confidence did ease from July and remained below the historical average."

PMI™

by S&P Global

months.

Companies expanded their purchasing activity and pre-production inventories at the quickest rate in seven and eight months, respectively. Anecdotal evidence suggested that the uptick in both indices was primarily driven by growth in overall demand. At the same time, surveyed firms recorded a renewed expansion in post-production inventories.

Suppliers' delivery times stabilised in August, following a slight deterioration in July. While some firms registered an improvement in the reliability of shipping companies, others mentioned that raw material shortages continued to drag on overall vendor performance.

In terms of prices, average input costs continued to rise in August. Anecdotal evidence suggested that supplier price increases, specifically for raw materials, was a key contributor to the uptick. Other firms also mentioned that the stronger US dollar had pushed up costs. Concurrently, firms increased their selling prices in August. Indonesian manufacturers frequently mentioned that they had partly passed on higher cost burdens to their clients in the form of higher charges. That said, both input costs and output prices rose at the softest rate for over a year.

Finally, overall business sentiment across the Indonesian manufacturing sector remained strongly positive amid hopes for a sustained recovery in demand. Despite this, the overall degree of confidence did ease from July and remained below the historical average.

Indonesia Manufacturing PMI Employment Index

sa, >50 = growth since previous month



Source: S&P Global.

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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@ihsmarkit.com.

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