

News Release

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S&P Global Indonesia Manufacturing PMI™

Manufacturing conditions improve only slightly in November

Key findings

Output and sales growth both slow notably

Input price inflation slips to near two-year low

Business confidence weakens

Indonesia's manufacturing sector continued to expand in November, albeit at a marginal rate, according to the latest PMI™ data. Firms signalled weaker upturns in both demand and output, which led to a slower rise in purchasing activity and reduced stocks of purchases. At the same time, hiring activity remained relatively muted. Supply constraints and cost pressures meanwhile eased slightly, but combined with concerns over the economic outlook, dampened overall business confidence.

The headline seasonally adjusted S&P Global Indonesia Manufacturing Purchasing Manager's Index™ (PMI) posted 50.3 in November, down from 51.8 in October. Having posted above the 50.0 no-change mark, the headline PMI was consistent with a fifteenth consecutive monthly improvement in the health of Indonesia's manufacturing sector. The rate of expansion was the slowest seen in five months, however, and only slight.

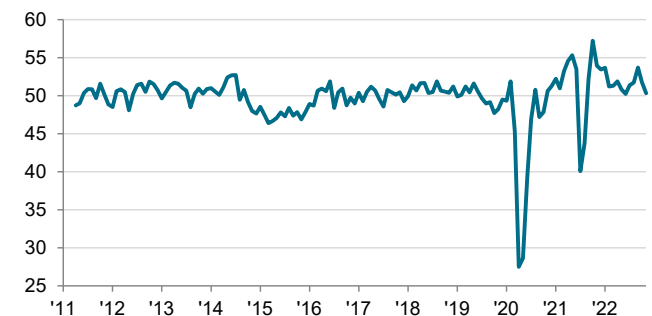
Indonesian manufacturing production continued to expand in November, driven by higher demand. That said, rates of growth for both new orders and output eased from October and were only marginal. Survey respondents reported that better underlying demand conditions and new client wins had supported the overall expansion in new business, although some firms saw demand fall amid a deterioration in economic conditions and supply issues. Foreign demand fell sharply and at the quickest rate in 15 months, with weaker global economic conditions often cited by panel members.

With production growth slowing and having lagged that seen of demand, backlogged work started to build once again in November, albeit only slightly. Supply issues also contributed to the accumulation of outstanding business, with lead times lengthening on the back of unfavourable weather conditions and supply constraints.

Meanwhile, purchasing activity growth slowed in line with overall demand. The quantity of purchases rose at the

S&P Global Indonesia Manufacturing PMI

sa, >50 = growth since previous month



Source: S&P Global.

Data were collected 11-23 November 2022.

Comment

Jingyi Pan, Economics Associate Director at S&P Global Market Intelligence, said:

“November’s PMI data revealed growth slowing across the Indonesian manufacturing sector midway through the fourth quarter. A slower improvement in overall demand conditions, amid a notable fall in foreign sales, had been one of the main culprits underpinning the loss of growth momentum.”

“Central to the slowdown in demand had been the persistent upturn in costs, although input price inflation slowed again in November, which provided some relief for manufacturers. Nevertheless, selling prices continued to rise as firms passed on additional costs to clients, which may warrant continued monetary policy attention in the near term.”

“Overall business confidence waned in November further outlining the risk that the sector could fall into decline unless there is a meaningful improvement in demand.”

PMI™

by S&P Global

softest rate in the current 15-month sequence of expansion, which led to lower stocks of purchases in November. Anecdotal evidence suggested that higher prices also caused Indonesian manufacturers to pare back their pre-production inventory holdings. Concurrently, post-production inventories also fell further amid the slowdown in demand and softer output growth.

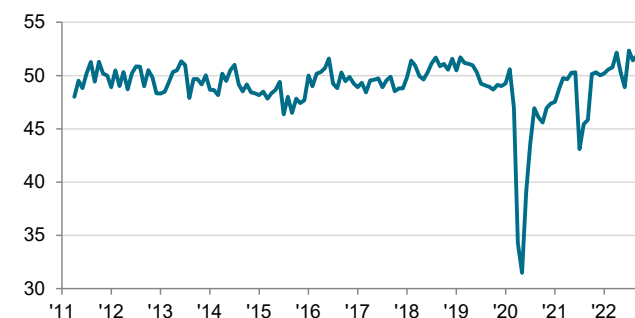
Employment levels continued to rise, albeit at a marginal rate. Firms in the manufacturing sector reportedly expanded their workforce capacity in November to match the growth in production.

On the price front, input costs continued to rise across the Indonesian manufacturing sector in November. That said, the rate of inflation eased to the slowest since December 2020. Higher costs, often linked to greater raw material and fuel prices, nevertheless drove manufacturers to hike their output prices again in November.

Overall sentiment in the manufacturing sector regarding the year-ahead remained positive, but the level of business confidence dipped to the lowest since June. While most survey respondents were hopeful of improved sales in the future, some were concerned that weaker global economic conditions might affect future performance.

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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