

News Release

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S&P Global Indonesia Manufacturing PMI™

Manufacturing sector expansion accelerates in March

Key findings

Faster new order growth drives output higher

Vendor performance improves for second month running

Business confidence strengthens

Indonesia's manufacturing sector continued to expand at the end of the first quarter, according to PMI data. A further improvement in demand conditions led to higher production and a renewed accumulation of backlogged work. As a result, both input buying and staff hiring increased. Supply constraints also eased as lead times shortened, while selling price inflation edged down to a 28-month low. Overall sentiment across the Indonesian manufacturing sector regarding the 12-month outlook for output meanwhile turned more positive.

The headline seasonally adjusted S&P Global Indonesia Manufacturing *Purchasing Manager's Index™* (PMI) posted 51.9 in March, up from 51.2 in February. This extended the current sequence of improving manufacturing conditions to 19 months. Moreover, the pace of growth was the fastest since last September.

Demand for Indonesian manufactured goods increased at the fastest rate in six months in March, reflecting better underlying demand conditions and a widening of manufacturers' customer bases. Although new export orders declined amidst weaker market conditions abroad, the pace of reduction moderated from February and was only mild.

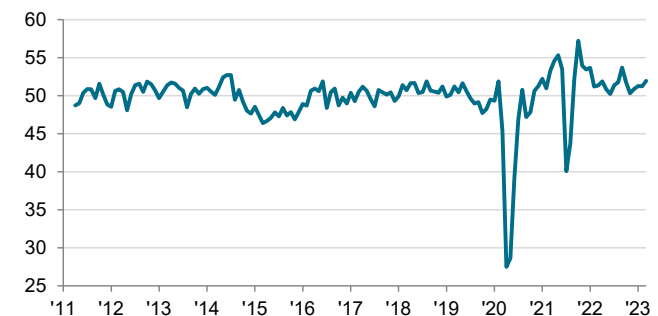
The expansion in overall demand drove a sustained upturn in manufacturing production in March, with the rate of growth likewise the steepest seen for six months. Concurrently, the level of outstanding work also expanded, following a slightly reduction in February, as stronger new order growth placed pressure on capacities.

Rising new order intakes also led Indonesian manufacturers to raise their workforce levels for the second month in a row, though the rate of increase remained marginal.

Firms also acquired inputs at a faster rate in March, both to meet ongoing production requirements and in anticipation of further increases in demand. Consequently, stocks of purchases returned to growth in March, and at the most

S&P Global Indonesia Manufacturing PMI

sa, >50 = growth since previous month



Source: S&P Global.

Data were collected 10-24 March 2023.

Comment

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

“March’s S&P Global Indonesia Manufacturing PMI survey offered positive news on the sector’s development. Strong demand growth led to higher production levels among Indonesian manufacturers, also fuelling an expansion in workforce numbers and purchasing activity.”

“Supply pressures became more manageable as suppliers’ delivery times shortened while input price inflation remained below the 12-month average, embodying the effectiveness of earlier rate increases. At the same time, selling prices increased at the slowest rate since November 2020 which bodes well for continued easing of overall inflationary pressures in Indonesia.”

“Business sentiment stayed positive among manufacturers in Indonesia at the end of the first quarter. Although the level of business confidence improved, it remains a distance from the historical average, and it will be important to see demand growth sustained to support further improvements in manufacturing performance.”

PMI™

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pronounced rate since last August. At the same time, post-production inventory levels in the Indonesian manufacturing sector were broadly unchanged on the month with the inflow of finished goods from higher production offset by faster outflows due to the fulfilment of orders.

Meanwhile supply constraints eased for Indonesian manufacturers in March. Lead times shortened for a second consecutive month and at the joint-fastest pace in over three years, underpinned by better transportation performance and the easing of supply shortages.

While the rate of input cost inflation climbed in March, it remained much softer than that seen a year ago. Manufacturers in Indonesia passed on their increased cost burdens, stemming from higher raw material prices, at a slower rate to clients. Notably, the rate of output price inflation was the slowest seen since November 2020 and only marginal.

Finally, recent improvements in demand conditions and projections of better sales performance in the 12 months ahead supported firms' positive outlook in March. The level of business confidence picked up from February, but remained below the series average.

Indonesia Manufacturing PMI Employment Index

sa, >50 = growth since previous month



Source: S&P Global.

Contact

Jingyi Pan
Economics Associate Director
S&P Global Market Intelligence
T: +65-6439-6022
jingyi.pan@spglobal.com

SungHa Park
Corporate Communications
S&P Global Market Intelligence
T: +82 2 6001 3128
sungha.park@spglobal.com

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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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