News Release

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S&P Global Indonesia Manufacturing PMI™

Manufacturing PMI hits seven-month high in April, led by robust rise in new orders

Key findings

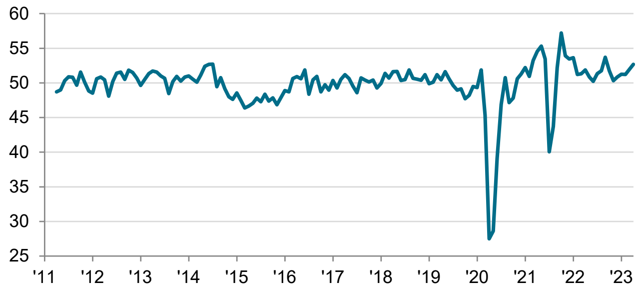
Strongest new business growth since September 2022

Faster upturn in production volumes

Cost inflation eases to a 29-month low

S&P Global Indonesia Manufacturing PMI

sa, >50 = growth since previous month



Source: S&P Global.
Data were collected 12-21 April 2023.

April data highlighted a solid improvement in business conditions across the Indonesia manufacturing sector. Output growth gained further momentum, led by the fastest rise in new orders since September 2022.

Goods producers also pointed to greater input buying and stock accumulation in anticipation of rising customer demand in the months ahead. Meanwhile, higher raw material prices continued to push up business expenses, but the overall rate of inflation eased to the slowest for almost two-and-a-half years.

At 52.7 in April, up from 51.9 in March, the headline seasonally adjusted S&P Global Indonesia Manufacturing Purchasing Manager's Index™ (PMI) posted above the neutral 50.0 value for the twentieth consecutive month. The latest reading signalled the strongest overall business performance since September 2022.

Incoming new work increased at the sharpest pace for seven months. A robust improvement in manufacturing order books largely reflected strong domestic demand as export sales declined in April. Survey respondents cited subdued business conditions in major overseas export destinations as a factor leading to a slight drop in new orders from abroad.

Rising overall volumes of new work and strong sales pipelines resulted in a further boost to production schedules during April, according to surveyed manufacturing companies. The rate of output growth was the fastest since September 2022.

Greater workloads led to a marginal upturn in staffing numbers across the manufacturing sector, with the pace of job creation the highest for five months. A number of firms commented on efforts to boost capacity in response to increased backlogs of work and positive projections for output levels. Moreover, the latest rise in unfinished business was the strongest since September 2021.

Stocks of inputs continued to increase, which survey

Comment

Tim Moore, Economics Director at S&P Global Market Intelligence, said:

"The manufacturing sector continued to gain momentum after a relatively subdued start to 2023, according the latest S&P Global PMI survey. Improving business conditions reflected stronger domestic demand, which led to the fastest rises in new orders and production volumes for seven months.

"Goods producers appear upbeat about their near-term growth prospects, with confidence towards future output expansion the highest seen since last November. Moreover, job creation continued in April and stocks of purchases were accumulated at the sharpest pace for 16 months in anticipation for increased production schedules.

"Higher raw material costs once again added to business expenses. However, the overall rate of input price inflation resumed its downward trend in April and was the lowest for nearly two-and-a-half years. This should help relieve pressure on operating margins, especially against the prevailing backdrop of only modest rises in factory gate prices."

respondents attributed to forthcoming production growth. The latest accumulation of pre-production inventories was the steepest since December 2021. In contrast, stocks of finished goods decreased for the second month running in April. Some manufacturers noted that stronger-than-expected sales had resulted in depleted inventories of finished items.

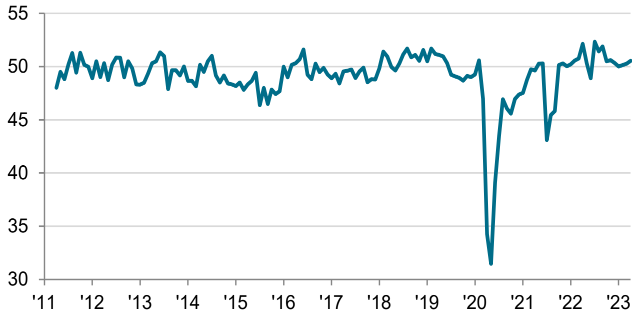
April data indicated a robust rise in purchasing activity across the manufacturing sector. Higher levels of input buying have been recorded in each month since September 2021. Moreover, the rate of growth gained further momentum in April and was the fastest for seven months.

Indonesian manufacturers expect a sustained increase in production volumes during the year ahead. This index picked up for the second month running and signalled the strongest degree of business optimism since November 2022. Survey respondents often cited rising confidence regarding the near-term outlook for customer demand.

Finally, the latest survey data pointed to a renewed slowdown in input cost inflation. Overall business expenses increased at the weakest pace since November 2020, despite many reports citing upward pressure on costs from higher raw material prices. Output charges meanwhile increased only marginally in April, with the rate of inflation unchanged from March's 28-month low.

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.

About S&P Global

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We are widely sought after by many of the world's leading organizations to provide credit ratings, benchmarks, analytics and workflow solutions in the global capital, commodity and automotive markets. With every one of our offerings, we help the world's leading organizations plan for tomorrow, today.

About PMI

Purchasing Managers' Index™ (PMI™) surveys are now available for over 40 countries and also for key regions including the eurozone. They are the most closely watched business surveys in the world, favoured by central banks, financial markets and business decision makers for their ability to provide up-to-date, accurate and often unique monthly indicators of economic trends. ihsmarkit.com/products/pmi.html.