

# News Release

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## S&P Global Indonesia Manufacturing PMI™

### Manufacturing sector continues to expand at end of 2022

#### Key findings

Output and new orders both rise at stronger rates

Renewed upturn in inventory levels

Price pressures soften

Indonesia's manufacturing sector continued to expand at the end of 2022, according to the latest PMI™ data. Higher demand supported a further increase in output, as well as upturns in purchasing activity and employment. Concurrently, inventories of both pre- and post-production items returned to growth. Meanwhile, even as supply issues persisted, price pressures eased within the manufacturing sector, but business confidence continued to soften in December.

The headline seasonally adjusted S&P Global Indonesia Manufacturing *Purchasing Manager's Index™* (PMI) rose to 50.9 in December, up from 50.3 in November. Having posted above the 50.0 no-change mark, the headline PMI was consistent with a sixteenth consecutive monthly improvement in the health of Indonesia's manufacturing sector. The rate of growth was the strongest seen since October, albeit marginal overall.

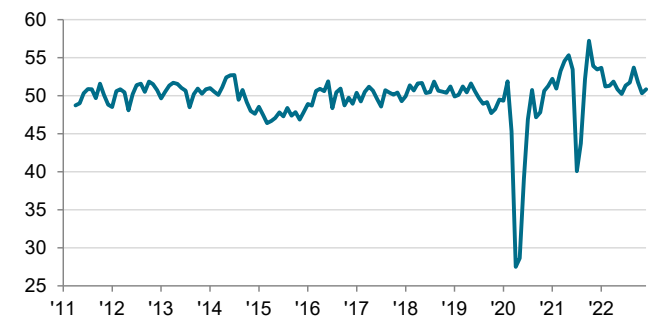
Manufacturing production in Indonesia expanded at a faster rate in December, driven by higher demand for Indonesian manufactured goods. Better underlying demand conditions were reported to have led to higher new orders placed in December. This was primarily concentrated in the domestic market, however, as foreign demand shrank again, weighed down by a deterioration in global economic conditions. The rate of decline in international new orders slowed markedly compared to November, however.

Amid the expansion in demand, backlogged work accumulated at a marginally faster rate than in November. Supply constraints persisted, however, with vendor performance deteriorating slightly again in December. According to panellists, poor weather and supply disruptions caused lead times to lengthen in December.

To tackle the growth in existing workloads and new orders, Indonesian manufacturers expanded their workforce numbers for the sixth straight month in December. Firms also

S&P Global Indonesia Manufacturing PMI

sa, >50 = growth since previous month



Source: S&P Global.

Data were collected 6-16 December 2022.

#### Comment

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

*“December’s PMI data pointed to improved conditions within the Indonesian manufacturing sector at the end of 2022. Quicker expansions in output and sales alongside easing price pressures were welcomed developments, though upturns in production and demand remained subdued overall. Notably, output price inflation fell to the lowest since May 2021, suggesting that price pressures for end clients have now receded to the lowest in over one-and-a-half years and may be supportive of future increases in demand.*

*“Moreover, renewed growth in inventory levels, underpinned by better demand conditions, were signs of a turnaround for the sector.*

*“That said, the only sentiment-based PMI sub-index, the Future Output Index, pointed to the weakest level of business confidence since the initial phase of the pandemic in May 2020, which suggests greater uncertainty within the manufacturing sector. S&P Global Market Intelligence currently expect Indonesia’s GDP to expand by 4.4% in 2023 after a 5.2% expansion in 2022.”*

PMI™

by S&P Global

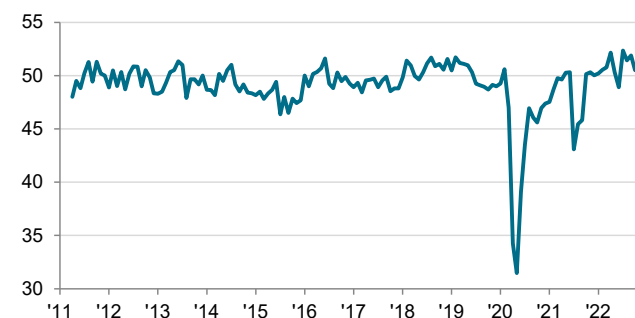
continued to raise their buying activity, which led to renewed growth of pre-production inventories. Furthermore, stocks of finished goods also increased following three consecutive months of depletion, with anecdotal evidence linking the upturn to greater new order inflows and projections of future increases in demand.

Despite the improvement in demand conditions in December, price pressures eased at the end of the year. Input cost inflation dipped below the series average in December, albeit remaining marked overall, with higher raw material, fuel and currency conversion costs underpinning the latest rise in expenses. And while Indonesian manufacturers continued to share additional cost burdens with their clients, the rate of selling price inflation softened to a 19-month low.

Overall sentiment remained positive in December, with manufacturers casting a hopeful eye towards 2023. That said, the level of optimism dipped to the lowest since May 2020 to outline weaker sentiment within the sector amid concerns over deteriorating global economic conditions.

### 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](mailto:economics@ihsmarkit.com).

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