

# News Release

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## S&P Global Indonesia Manufacturing PMI™

### Manufacturing output expands again at end of third quarter

#### Key findings

Production rises at softer, but still solid rate...

...supported by rising sales and improved vendor performance

Inflationary pressures pick up slightly

Indonesia's manufacturing sector continued to expand at the end of the third quarter, driven by improvements in demand and vendor performance. As a result, manufacturers raised their volume of input buying and inventory holdings. Employment levels also increased, enabling firms to reduce their backlogged orders. And while both input and output prices rose, the rates of inflation remained below their respective averages. Finally, business confidence improved across the Indonesian manufacturing sector, but was still slightly below the historical trend.

The headline seasonally adjusted S&P Global Indonesia Manufacturing Purchasing Manager's Index™ (PMI) fell from 53.9 in August to 52.3 in September. Posting above the 50.0 no-change mark, the latest reading signalled that conditions in the manufacturing sector improved for a twenty-fifth straight month, albeit at the slowest pace since May.

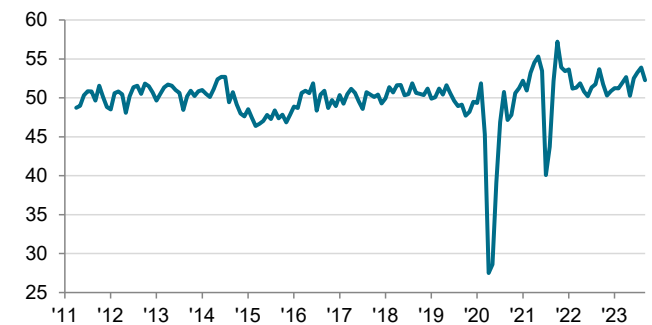
Higher levels of production were recorded for a sixteenth straight month in the Indonesian manufacturing sector during September. While the pace of output growth eased, in tandem with new orders, it remained solid overall. Better underlying demand conditions underpinned the sustained increase in new business in the latest survey period, according to panellists. Moreover, new orders from abroad continued to rise and at a slightly faster pace in September amid reports of firmer client demand across key export markets.

The upturn in production was also aided by a sustained improvement in vendor performance. Panellists indicated that quicker lead times for inputs were supported by greater material availability and more efficient transportation.

Higher amounts of new work and increased production led Indonesian manufacturers to expand their buying activity in September. This in turn led to increased holdings of input inventories. Stocks of finished goods also rose, albeit only slightly.

S&P Global Indonesia Manufacturing PMI

sa, >50 = growth since previous month



Source: S&P Global PMI.

Data were collected 12-22 September 2023.

#### Comment

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

"The latest S&P Global PMI data indicated that Indonesia's manufacturing sector continued to expand through the end of the third quarter. Although there are some indications of growth momentum moderating, the rates of output and new order growth remained solid overall. Furthermore, business confidence rose during September. These suggest that conditions in the sector may further improve in the near term.

"While there were some signs of inflationary pressures picking up in the goods producing sector, they remain muted by historical standards and are unlikely to garner much concern at present. Better vendor performance should help to keep a lid on cost pressures, and also help to support further improvements in production."

PMI™

by S&P Global

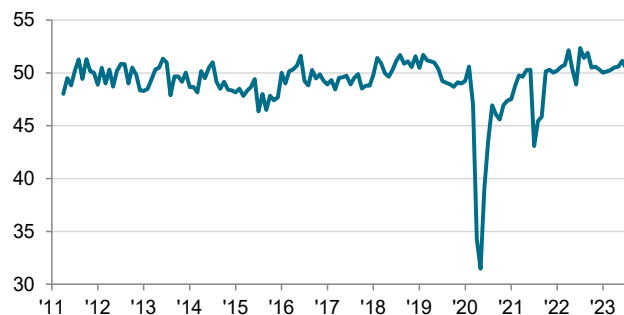
Meanwhile, employment levels climbed for an eighth straight month across the manufacturing sector, as firms lifted their staffing levels to cope with greater production. Increased workforce capacity supported a further reduction in backlogs of work in September. That said, the pace of employment growth slowed from August and was only marginal.

Average input costs continued to rise at the end of the third quarter, and at the quickest pace since April. Anecdotal evidence suggested that higher raw material, transportation, and financing costs contributed to the latest increase in average cost burdens. Consequently, Indonesian manufacturers opted to partly share their higher costs with their clients by raising their selling prices again. While rates of input cost and selling price inflation both quickened in the latest survey period, they remained below their respective averages, to signal relatively subdued inflationary pressures.

Overall business sentiment across the manufacturing sector improved in September, with firms the most upbeat since October 2022. Manufacturers were generally hopeful that market conditions will improve and support further increases in sales over the coming 12 months.

### Indonesia Manufacturing PMI Employment Index

sa, >50 = growth since previous month



Source: S&P Global PMI.

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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@spglobal.com](mailto:economics@spglobal.com).

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