

# News Release

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## S&P Global Indonesia Manufacturing PMI™

### Manufacturing conditions continue to improve modestly in February

#### Key findings

Output growth accelerates, driven by sustained upturn in new orders

Vendor performance improves for the first time in a year

Business confidence dips to lowest since May 2020

Indonesia's manufacturing sector maintained a mild but steady pace of growth midway into the first quarter. Higher manufacturing production was supported by rising new orders and the clearing of backlogged work in February. Firms also increased their buying activity, but maintained prudence with respect to hiring. Meanwhile supply constraints eased as vendor performance improved, while input price inflation receded. However, the overall level of business confidence declined to a 33-month low.

The headline seasonally adjusted S&P Global Indonesia Manufacturing Purchasing Manager's Index™ (PMI) posted 51.2 in February, down slightly from 51.3 in January. This stretched the current sequence of improving manufacturing sector conditions to 18 months, though the pace of improvement remained modest.

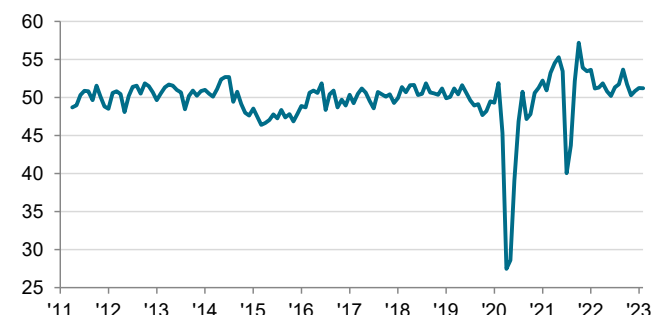
Growth of manufacturing production in Indonesia was sustained in February, with the rate of increase the joint-fastest since last September. Higher output was supported by an expansion in new orders on the back of better underlying demand conditions and broader customer bases. The improvement in demand was domestically driven, however, as new export orders continued to decline during February. Sluggish external demand conditions remained a drag on foreign sales, according to panellists.

Indonesian manufacturers also looked to clear their backlogged work in February, leading to a renewed fall in outstanding orders. Although the rate of depletion was mild, it reflected improved capacity at Indonesian manufacturers. As a result, hiring within the manufacturing sector was limited, and employment levels rose only fractionally over the month.

Amidst the rise in new orders, firms raised their purchasing activity again. The higher level of buying activity did not translate into greater stocks of inputs, however, as the growth in production led to high input utilisation, while instances of

S&P Global Indonesia Manufacturing PMI

sa, >50 = growth since previous month



Source: S&P Global.

Data were collected 10-21 February 2023.

#### Comment

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

*“The latest S&P Global Indonesia Manufacturing PMI signalled that manufacturing sector conditions continued to improve at a steady and sustainable pace in February. Stronger domestic demand reportedly supported growth of manufacturing output, as foreign demand remains on the road to recovery.*

*“Another positive aspect derived from the latest PMI figures is an indication of easing supply chain constraints. Suppliers’ delivery times shortened for the first time in a year while input cost inflation also softened, altogether reflecting easing supply-side pressures. This has also helped to keep selling price inflation for goods relatively mild in February, providing the Indonesian central bank more room for manoeuvring.*

*“Overall, sentiment remained positive across the manufacturing sector. However, the decline in business confidence to the lowest level in nearly three years is concerning. It will be key to see better demand conditions, including foreign demand, to help boost manufacturers’ confidence.”*

PMI™

by S&P Global

supplier shortages also hindered the accumulation of pre-production inventories.

On the other hand, post-production inventories continued to increase as production ramped up. That said, the rate of accumulation was the slowest in the current three-month sequence amid increased sales and better shipping performance. Indeed, suppliers' delivery times shortened for the first time in a year.

Additionally, input cost inflation eased in February. The latest upturn in average input costs was in fact the slowest since November 2020, and was well below the 2022 average. While firms continued to share additional costs with clients by raising their selling prices, the rate of increase was mild overall and below the long-run survey average.

Finally, overall sentiment in the Indonesian manufacturing sector remained positive in February, as firms stayed hopeful that operating conditions will improve and support increased output in the year ahead. That said, the degree of optimism sank to the lowest since May 2020.

### 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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