

News Release

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S&P Global Indonesia Manufacturing PMI[®]

Manufacturing sector experiences further contraction in October

Key findings

Slight falls in output and new orders

Subdued market conditions reported

Employment and confidence down since September

Indonesia's manufacturing economy experienced a further marginal deterioration in operating conditions during October. Output, new orders and employment all declined slightly amid reports of subdued market conditions. Backlogs of work declined as firms were able to comfortably keep on top of workloads, whilst stocks of finished goods rose. Confidence in the outlook, whilst remaining positive overall, declined to its lowest level for four months.

The headline seasonally adjusted S&P Global Indonesia Manufacturing Purchasing Manager's Index™ (PMI[®]) remained below the crucial 50.0 no-change mark in October for a fourth month in a row, posting 49.2. That was unchanged since September and therefore indicated another marginal deterioration of operating conditions.

Output and new orders both fell slightly in October, extending the current period of decline in each case to four months. Subdued market demand was noted by panellists, with purchasing power amongst clients reported to be lower. This was common in both domestic and international markets, with geopolitical uncertainty said to have led to an eighth successive monthly decline (albeit marginal) in new export orders.

The subdued business environment led firms to cut staffing levels at their plants on average for the third time in the past four months. Despite a marginal drop in employment, backlogs of work fell for a fifth successive month, with the decline the fastest since January 2021. Firms noted being able to comfortably keep on top of overall workloads, whilst also signalling that finished goods inventory had risen, somewhat unintentionally given the softness of market demand, for the fourth month in a row.

Purchasing activity meanwhile continued to fall, extending the current downturn to four months. The latest contraction was linked to weak underlying trends in new orders and production. With demand for inputs falling, average vendor

S&P Global Indonesia Manufacturing PMI

sa, >50 = growth since previous month



Source: S&P Global PMI.

Data were collected 10-24 October 2024.

Comment

Paul Smith Economics Director at S&P Global Market Intelligence, said:

"Indonesia's manufacturing economy continued to turn in a subdued performance during October, with production, new orders and employment all declining marginally since September. Panellists often noted that market activity was underwhelming, which in some cases was linked to geopolitical uncertainties resulting in caution and inaction amongst clients.

"Reflective of slow market conditions, cost inflation continues to slowly dissipate and is now well below its historical trend. Firms are hopeful therefore that operating conditions will improve in the year ahead and expect to benefit from a more stable macroeconomic environment to help expand their business activities in the months ahead."

PMI[®]

by S&P Global

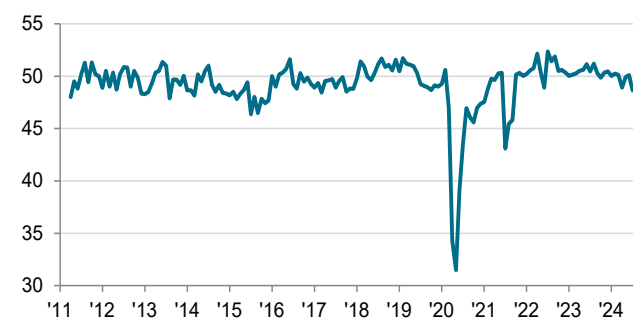
performance improved for the first time since May (albeit only marginally). There was some evidence of greater stock availability at suppliers and subsequently a quicker turnaround in orders during October.

Cost inflation meanwhile softened in October to its lowest level since August 2023. Where prices rose, this was linked in some cases to challenging harvests which had increased the price of some foodstuffs. The rate of overall inflation remained marked and led some manufacturers to raise their own charges, albeit only marginally and at a below average pace.

Finally, confidence in the outlook remained positive as firms hoped for a stabilisation of market conditions and a reduction in geopolitical uncertainty in the months ahead. Nonetheless, confidence was down noticeably since September, falling to a four-month low and further below its historical trend level.

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.

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