

News Release

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S&P Global Indonesia Manufacturing PMI™

Indonesian manufacturing sector health improves only slightly in June

Key findings

Manufacturing production returns to growth...

...but new orders rise at slowest rate for ten months

Input price inflation remains well-above the series average

Indonesia's manufacturing sector continued to see an improvement in operating conditions in June, albeit at the slowest rate in ten months. Manufacturing production returned to expansion territory in June amid reports of stock building and increased demand. Volumes of new orders expanded further, although a loss of growth momentum was recorded. With demand continuing to rise, the latest survey pointed to higher purchasing activity. Meanwhile, vendor performance was unchanged from May as reports of supply chain issues persisted. As a result, raw materials remained scarce and rose further in price, driving up both input and output prices as firms passed on higher supplier fees to their customers.

The headline seasonally adjusted S&P Global Indonesia Manufacturing Purchasing Manager's Index™ (PMI™) posted at 50.2 in June, down from 50.8 in May. The headline PMI has now posted above the 50.0 no-change mark for ten successive months. That said, June's PMI reading slipped to the lowest in the aforementioned sequence, posting only fractionally above the 50.0 neutral threshold and pointing to only a slight improvement in the health of the sector.

Growth in manufacturing production returned in June, in line with a continued expansion in order book volumes. That said, growth of both output and new orders was only marginal, with the latter being the slowest seen in the current ten-month sequence of expansion. Foreign client demand fell in June, and at the fastest pace for nine months.

Inflationary pressures persisted in June. Higher prices for raw materials, following widespread product shortages, drove input costs up, according to panellists. Furthermore, the recent increase in VAT reportedly exacerbated these issues. In line with increasing prices from suppliers, Indonesian manufacturing firms continued to pass on costs to clients, leading to higher output charges.

Purchasing activity increased for a tenth successive month in

S&P Global Indonesia Manufacturing PMI

sa, >50 = growth since previous month



Source: S&P Global.

Data were collected 13-23 June 2022.

Comment

Laura Denman, Economist at S&P Global Market Intelligence, said:

"The general health of Indonesia's manufacturing sector was close to stagnating in June, according to S&P Global PMI data. Order book volumes expanded at the slowest rate in ten months, with some noting the upturn in output was attributed to efforts to boost post-production inventories. At the same time, foreign demand contracted at the sharpest rate since September 2021, signalling that the overall demand expansion is currently being upheld by domestic order books.

"According to June data, price pressures have remained persistent as firms continued to opt to share greater raw material costs with their customers. Price hikes remain a downside risk to growth, and should inflation continue to worsen domestic demand may be hit, which could mean the Indonesian manufacturing sector experiences a further loss of growth momentum."

PMI™

by S&P Global

June, with the rate of growth the sharpest since January. That said, pre-production inventories were broadly unchanged. Where an increase was noted, however, firms linked this to the accumulation of additional inputs to meet current demand. Surveyed firms registered a slight increase in post-production inventories ahead of new product launches.

Optimism across the Indonesian manufacturing sector was seen once again in June. Hopes of continued economic improvement and strengthening demand conditions were widely commented upon as driving confidence. That said, the overall level of positive sentiment dipped to a four-month low.

Meanwhile, a reduction in employment levels was recorded in June, following five successive months of expansion in workforce numbers. At the same time, levels of outstanding work fell marginally.

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.

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