

# News Release

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## S&P Global Indonesia Manufacturing PMI<sup>®</sup>

### Output continues to expand solidly in February

#### Key findings

New orders rise at slower, but still solid rate

Input prices climb at quickest pace since November 2022

Business confidence improves

Indonesia's manufacturing sector continued to expand in February, and at a pace that was little-changed from the start of the year, according to the latest PMI<sup>®</sup> data. A solid rise in production was sustained by a further increase in new work, and led Indonesian manufacturers to raise their purchasing activity, inventories and workforce numbers. Business confidence also improved. That said, companies registered the quickest rise in input costs since late-2022, while output price inflation climbed to the highest level in just over a year.

The headline seasonally adjusted S&P Global Indonesia Manufacturing Purchasing Manager's Index<sup>™</sup> (PMI) fell to 52.7 in February, down from 52.9 in January. The latest reading signalled a sustained improvement in manufacturing sector conditions, albeit at a slightly slower pace. This extended the current period of expansion to two-and-a-half years.

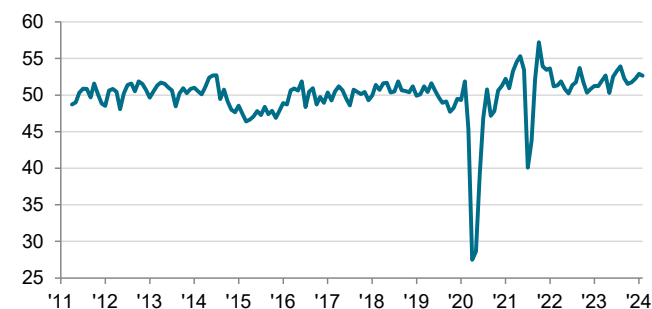
Manufacturing production in Indonesia rose in February and at a solid rate, despite the pace of growth easing from January's two-year high. The upturn was underpinned by greater new work intakes, with improvements in underlying demand conditions helping to lift new orders for the ninth successive month. Foreign demand stagnated, however, with adequate stock holdings at some clients reportedly weighing on new orders from abroad.

Purchasing activity rose solidly, in line with rising new work inflows and higher production. This in turn led to a further accumulation of pre-production inventories. Stocks of finished goods meanwhile expanded for the first time since last October as firms replenished inventories as demand grew.

Employment levels rose for the third time in the past four months, with Indonesian manufacturers hiring additional staff to cope with ongoing workloads and to keep on top of backlogs, which accumulated slightly. That said, the rate of job creation was only marginal in February.

S&P Global Indonesia Manufacturing PMI

sa, >50 = growth since previous month



Source: S&P Global PMI.

Data were collected 02-22 February 2024.

#### Comment

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

"February's PMI data revealed that operating conditions in the Indonesia manufacturing sector continued to improve since the start of the year. Solid domestic demand supported growth in new orders and output, while foreign demand stagnated in February and will be worth watching in the months ahead for signs of firmer global conditions.

"Input cost inflation rose markedly in February, which was often attributed to higher raw material costs. While this has yet to result in output prices rising at an above-average rate, the further pass through of expenses could lead to quicker increases in charges in future months and pose a threat for demand and output growth.

"Overall, sentiment among Indonesian manufacturers improved in February, which alongside other forward-looking indicators such as new orders, suggest that we will continue to see output expanding in the near-term."

PMI<sup>®</sup>

by S&P Global

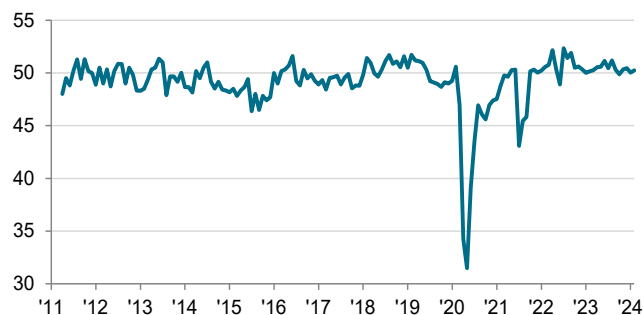
Turning to supply conditions, vendor performance deteriorated in February after improving in the prior two months. Anecdotal evidence suggested that raw material shortages and transport congestion resulted in a slight lengthening of lead times midway into the first quarter.

Price pressures intensified in February, with higher raw material and financing costs contributing to the sharpest rise in average input prices since November 2022. As a result, Indonesian manufacturers partly shared their additional expenses with clients by raising selling prices at a more pronounced pace. That said, the rate of selling price inflation remained below the series average.

Business sentiment across the Indonesian manufacturing sector remained positive in February, as firms stayed hopeful that production will rise in the next 12 months. The degree of optimism picked up from January, albeit remaining below the historical trend.

### 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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