

News Release

Embargoed until 0730 WIB (0030 UTC) 2 May 2024

S&P Global Indonesia Manufacturing PMI[®]

Solid growth of Indonesian manufacturing sector in April

Key findings

Output and new orders both increase, albeit at slower rates

Staffing levels slightly lower as confidence softens

April sees further step increase in input prices

The Indonesian manufacturing economy continued to expand in April. Growth was solid, albeit down from March as both production and new orders rose at slower rates. Firms raised their purchasing activity markedly again, reflective of efforts to increase inventory levels ahead of expected growth in the coming months. However, with confidence down noticeably since March, temporary layoffs were reported to have led to a slight reduction in employment. Prices data meanwhile showed another round of steeply rising input costs.

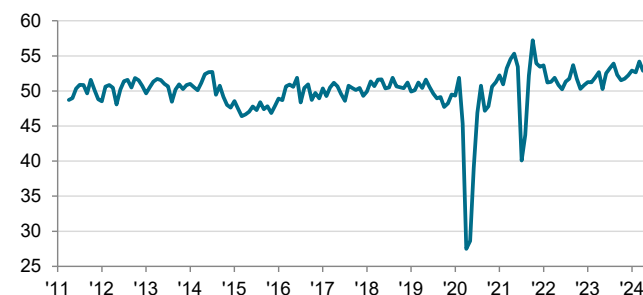
The headline seasonally adjusted S&P Global Indonesia Manufacturing Purchasing Manager's Index™ (PMI[®]) remained comfortably above the crucial 50.0 no-change mark in April to signal an extension of the current run of growth to 32 months. However, the rate of expansion was slower than in March. This was highlighted by a downward shift in the PMI from a 29-month high of 54.2 to 52.9 in April.

There were concurrent rises in both output and new orders signalled by the survey in April. Rates of expansion were slower than in March, but nonetheless remained marked. Panellists widely reported that the demand for manufactured goods had improved, although this was broadly centred on the domestic market. Latest data indicated the continuation of a subdued trend in export sales, which fell in April for a second month in a row and to the greatest extent since February 2023.

In response to higher production and new order requirements, Indonesian manufacturers raised their buying activity. Growth was marked and has now been registered for 32 months in a row. However, the latest uplift in buying was the softest recorded by the survey since last November. Firms noted efforts to bolster inventories as they sought to raise stock levels ahead of expected rises in production and sales in the coming months. Indeed, firms retained positive expectations for output in the next 12 months, with 45% of panellists forecasting a rise in production.

S&P Global Indonesia Manufacturing PMI

sa, >50 = growth since previous month



Source: S&P Global PMI.
Data were collected 04-23 April 2024.

Comment

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

"Overall, April was another positive month for the Indonesian manufacturing economy, with output and new orders rising since March at decent rates amid reports of positive demand conditions. Firms continued to bolster buying activity and built their stocks higher in anticipation of growth in the months ahead.

"However, there was a little devil in the survey details. Export sales were down again, whilst growth rates in production and new orders both fell. These developments prompted firms to reduce employment levels. Although in some instances layoffs were seen as temporary, job losses could in part reflect a reduced degree of optimism amongst firms – latest data showed that confidence declined to its lowest level for nearly four years in April."

PMI[®]

by S&P Global

That said, sentiment dropped since March to its lowest level in just shy of four years. This helped explain why firms were cautious with regards to employment, signalling a preference in some cases to temporarily lay off workers. Overall employment fell in April for the first time since last October. With labour capacity cut and production requirements rising, backlogs of work increased again. The rate of growth was modest, but still the highest registered by the survey since April 2023.

Meanwhile, the latest prices data revealed another round of rising input costs, in line with a trend that began in December 2019. Panellists noted a broad-based increase in raw material prices, and that unfavourable exchange rate factors had raised the price of imported goods. Lengthening lead times added to inflationary pressures, although any delays in deliveries appeared temporary in nature and linked to recent poor weather.

Firms nonetheless responded to higher input costs by seeking to pass these on to clients wherever possible. Latest data showed that output prices rose again in April, with the rate of inflation only slightly lower than March's 21-month high.

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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