

News Release

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S&P Global Indonesia Manufacturing PMI™

PMI slips to nine-month low in May

Key findings

Output contracts amid supplier delays

New business expands at softer rate

Business confidence edges down to three-month low

Indonesia's manufacturing sector saw a weaker improvement in overall operating conditions in May, according to the latest S&P Global PMI™ data. Manufacturing output fell slightly amid supply constraints, with average delivery times lengthening further in May, which also contributed to a renewed increase in backlogged work. Meanwhile, total new business and employment also expanded at softer rates compared to April. Business sentiment regarding the 12-month outlook for output remained positive, but the overall level of optimism slipped to a three-month low in May.

The S&P Global Indonesia Manufacturing *Purchasing Managers' Index*™ (PMI™) posted 50.8 in May, down from 51.9 in April. This represented a ninth straight month of improving business conditions across the Indonesian manufacturing sector. That said, the pace of improvement was the slowest seen over this period and only marginal.

Manufacturing production fell for the first time in nine months in May, albeit at a fractional pace. Panel members often blamed the reduction on supply constraints. Overall new orders meanwhile expanded modestly, with relatively strong demand conditions and new client wins underpinning the latest increase, according to panellists. Foreign demand likewise rose midway into the second quarter.

As a result of higher demand, staffing levels in the Indonesian manufacturing sector expanded in May, though at a slower rate than in April. Firms also increased their quantity of purchases, leading to higher levels of pre-production inventories. Stocks of finished goods likewise rose, though survey respondents frequently linked the expansion to outbound delivery delays.

Suppliers' delivery times continued to lengthen in May and at a rate that was faster than the series average. Both supply shortages and transportation delays contributed to the deterioration in vendor performance, according to firms.

Amid the decline in manufacturing production and the

S&P Global Indonesia Manufacturing PMI

sa, >50 = growth since previous month



Source: S&P Global.

Data were collected 12-24 May 2022.

Comment

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

“Business conditions across Indonesia’s manufacturing sector improved at a slower pace in May, according to the S&P Global Indonesia Manufacturing PMI. Anecdotal evidence from the survey suggested that manufacturing production fell marginally midway into Q2 as supply constraints weighed on the sector.”

“The lengthening of suppliers’ delivery times, coupled with persistent and rapid increases in prices, highlighted the supply constraints affecting Indonesia’s manufacturing sector performance in May. The good news is that demand continued to rise, but it will be worth watching how much further manufacturing output may be affected going forward.”

“Business confidence eased again in May amongst Indonesian manufacturers, though the sustained growth of employment levels and purchasing activity reflected optimism amongst firms for future output, which were positive signs from the May PMI survey.”

PMI™

by S&P Global

lengthening of lead times, Indonesian manufacturers saw a renewed accumulation of backlogged work in May. Supply and manpower constraints were also listed as reasons for the increase in work outstanding according to panellists.

Meanwhile, input prices continued to rise in May. Higher cost burdens were often linked to increase raw material prices, which were partially passed on to clients via greater selling prices. The rates of input price and output charge inflation softened slightly from April, but remained sharper than their respective averages.

Overall business sentiment remained positive in the Indonesian manufacturing sector, with firms generally hopeful that sales can continue to grow as economic conditions improve. That said, the level of business confidence receded from April to a three-month low.

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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