

# News Release

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## S&P Global Indonesia Manufacturing PMI™

### Modest growth of Indonesian manufacturing economy

#### Key findings

Better gains in both new orders and output

Firms expand purchasing activity but leave employment unmoved

Further slowdown of inflation rates signalled

Operating conditions in Indonesia's manufacturing economy continued to improve during January, supported by higher levels of both output and new orders. Firms responded positively by expanding their purchasing activity and building up their inventories in anticipation of further growth in the months ahead. However, reflective of some caution in the outlook, rates of expansion were modest, whilst firms chose to leave staffing levels at their plants unchanged despite evidence of capacity constraints.

The headline seasonally adjusted S&P Global Indonesia Manufacturing Purchasing Manager's Index™ (PMI) posted 51.3 during January, up a little on December's 50.9 and above the 50.0 no-change mark for a seventeenth successive month. Although indicative of modest growth, the PMI was at its highest level since last October.

Both output and new orders rose during January, also at their fastest rates for three months, with growth fractionally better for sales. There were reports of positive sales pipelines amid high levels of client requests, and the successful conversion of this into hard business wins. Market demand was generally better than in recent months, according to panellists, and promotional activities helped to support growth. However, domestic demand was the primary driver of increased sales: new export orders declined for an eighth successive month, and to a marked degree.

The firmer increase in sales encouraged firms to raise their purchasing activity, with growth registered for a seventeenth successive month. Moreover, the rate of increase was the best since last September as firms sought to not only support higher current production requirements, but also increase their inventory levels. January marked the second successive month in which stocks of inputs have increased, although growth was only marginal.

There was also an increase in finished goods inventories during January, with growth reaching its highest in over

S&P Global Indonesia Manufacturing PMI

sa, >50 = growth since previous month



Source: S&P Global.

Data were collected 12-24 January 2023.

#### Comment

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

*“January’s S&P Global Indonesia Manufacturing PMI signalled better manufacturing sector conditions at the start of the new year. The expansion of production was powered by better sales, which was a positive sign for the sector. That said, this was concentrated in the domestic economy, with new orders from abroad falling at a faster rate to reflect deteriorating external conditions. This remains a key headwind for the sector that has carried through from 2022.*

*“Meanwhile, price pressures continued to ease in the Indonesian manufacturing sector, with input costs climbing at the slowest rate for over two years and output charge inflation slipping to a 20-month low. Although still elevated, the further easing of price pressures is expected to enable Bank Indonesia to slow the pace of policy tightening, which bodes well for firms going into the new year.*

*“Overall sentiment in the manufacturing sector improved from the low seen in December and encouraged firms to expand their inventory levels, suggesting better near-term performance.”*

PMI™

by S&P Global

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two-and-a-half years. This was linked in part to positive business growth projections, and firms indeed on average signalled expectations for an increase in their output over the next year. Demand is expected to continue rising amid hopes of market stability. However, sentiment remains below its historical average, and reflected some residual caution about the future amongst the survey panel. This manifested itself in the employment data for January, which showed no-change in staffing levels since the end of 2022. And this was despite backlogs of work rising for a third month in succession.

Finally, cost pressures persisted during January, with suppliers reported to be still passing on high raw material costs. However, the rate of inflation eased for the seventh successive month, hitting its lowest level for over two years. This fed through to a reduced rate of charge inflation amongst Indonesian manufacturers, with firms also noting that a weaker US dollar and customer discount requests had restricted their pricing power. Overall, output prices rose modestly and to the weakest degree since May 2021.

### 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](mailto:economics@ihsmarkit.com).

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