

News Release

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S&P Global Indonesia Manufacturing PMI™

Manufacturing sector expansion accelerates in August

Key findings

Rising new orders drive faster output growth

Price gauges point to easing cost pressures

Business confidence improves to ten-month high

Indonesia's manufacturing sector expansion gathered pace in August, driven by improvements in demand. Faster new order growth, including new work from abroad, supported a quicker rise in production. Subsequently, firms raised their employment levels and purchasing activity, which led to higher inventories. Supply conditions also improved, while price pressures moderated slightly across the Indonesian manufacturing sector. The softer rate of cost inflation contributed to a muted increase in selling prices. Overall, firms were encouraged by the latest improvement in business conditions and were the most upbeat around the year ahead since October 2022.

The headline seasonally adjusted S&P Global Indonesia Manufacturing Purchasing Manager's Index™ (PMI) rose from 53.3 in July to 53.9 in August. This extended the current sequence of improving manufacturing sector conditions to two years, with the latest upturn the fastest since November 2021.

Indonesian manufacturing output continued to increase at a strong pace in August. The rate of expansion was the fastest in almost a year, driven by quicker new order growth and improvements in capacity.

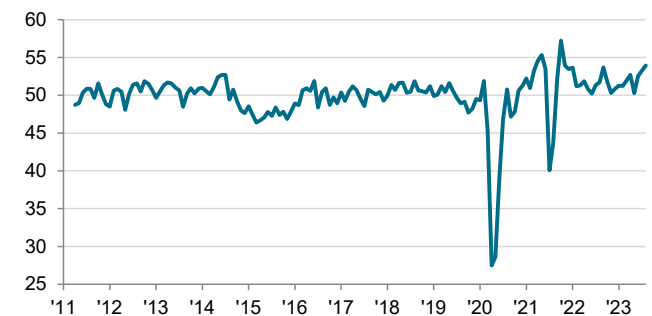
Better underlying demand conditions led to a sharper rise in new order inflows midway into the third quarter, with the pace of growth accelerating to the most pronounced since October 2021. Around 13% of survey respondents indicated growth in new orders compared with just 2% that saw a decline.

Foreign demand conditions likewise improved in August, supporting a further rise in new export orders. This was only the second time that new business from abroad has increased in the past 15 months.

Higher order book volumes led Indonesian manufacturers to raise their staffing levels over the latest survey period. Notably, employment rose at the fastest pace in nearly a

S&P Global Indonesia Manufacturing PMI

sa, >50 = growth since previous month



Source: S&P Global PMI.

Data were collected 10-23 August 2023.

Comment

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

"The latest S&P Global PMI data indicated that there were multiple improvements seen for Indonesia's manufacturing sector in August. Stronger demand, including foreign demand, was the primary force driving the accelerated expansion of production. Confidence among manufacturers also rose alongside increased hiring and purchasing activity.

"Concurrently, Indonesian manufacturers also enjoyed a further improvement in supply conditions, as lead times shortened slightly in August while price pressures were generally subdued. Overall, the latest data revealed that favourable conditions contributed to another solid expansion in goods production into the second month of H2 2023."

PMI™

by S&P Global

year, albeit modestly overall.

With the support of higher workforce numbers, Indonesian manufacturers were able to work through unfinished business, resulting in a second straight month of backlog depletion. This was despite the quicker rise in new orders.

Meanwhile buying activity expanded in tandem with new orders. Firms acquired more inputs for production, which led to stocks of purchases rising over the latest survey period. Stocks of finished goods also increased amid higher production, though the pace of accumulation was only marginal.

While demand conditions strengthened, supply chain performance improved again in Indonesia. Lead times shortened slightly for a second straight month with anecdotal evidence pointing to better shipping performance.

Price pressures also receded in August, with input cost inflation falling to the joint-weakest since October 2020. Notably, the pace of increase remained comfortably below the series average. Consequently, output price inflation eased fractionally from July and remained only marginal.

Indonesian manufacturers expressed optimism about production in the coming 12 months. Better demand conditions led to firms being the most upbeat in ten months, bringing the level of business confidence closer to the series average.

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@ihsmarkit.com.

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