

# News Release

Embargoed until 0730 WIB (0030 UTC) 1 October 2024

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

### Manufacturing sector performance remains subdued in September

#### Key findings

Output and new orders decline again...

...but confidence improves, and employment rises

Cost inflation down to 12-month low

Operating conditions in Indonesia's manufacturing economy continued to deteriorate in September, reflecting further falls in both output and new orders over the month. Warehouse inventories of finished goods rose slightly, whilst firms cut their purchasing activity in response to weaker market demand. However, employment growth was registered and confidence in the future improved to a seven-month high. On the price front, input costs rose markedly, in part reflective of unfavourable exchange rate factors, although inflation was the softest for a year. Charges were cut slightly for the first time since June 2023 largely in response to quieter market conditions.

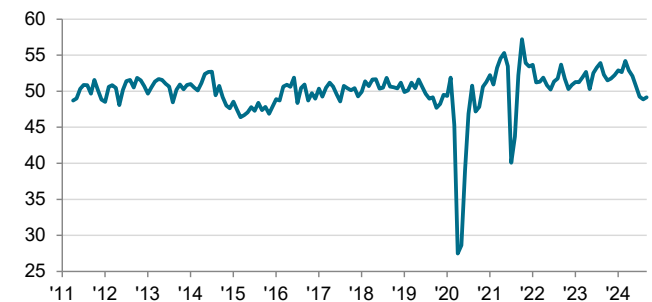
The headline seasonally adjusted S&P Global Indonesia Manufacturing Purchasing Manager's Index<sup>™</sup> (PMI<sup>®</sup>) remained below the crucial 50.0 no-change mark for the third successive month in September. Posting 49.2, up from 48.9 in August, the PMI signalled a marginal and slightly slower rate of contraction.

The underperformance of the PMI primarily reflected monthly reductions in both output and new orders during September for a third month in a row. Panellists commented that market demand conditions remained sluggish, and that client activity was generally lower compared to earlier in the year. Subdued global manufacturing demand was noted to have weighed on external sales especially. Latest data showed that new export business declined to the greatest degree since November 2022 and for a seventh month in a row.

Modest falls in production and new orders discouraged purchasing activity, which declined marginally for a third month in a row. Wherever possible, firms instead preferred to utilise inventories of inputs, which fell modestly in September but nonetheless to the greatest degree in over three years. Delays in the delivery of ordered goods were also noted, as evidenced by a third successive lengthening of average lead times. Panellists noted that similar shipping

S&P Global Indonesia Manufacturing PMI

sa, >50 = growth since previous month



Source: S&P Global PMI.

Data were collected 12-23 September 2024.

#### Comment

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

"The underwhelming performance of the Indonesian manufacturing economy was linked to a generally subdued global macroeconomic environment during September, with the fastest drop in external sales in nearly two years a standout statistic from the latest report. Firms naturally responded by reducing their buying activity, preferring instead to utilise inventories and maintain tight controls over costs and operating efficiency.

"Still, firms increased their employment numbers as they looked to brighter times ahead. Indeed, amid hopes of a more stable operating and better economic environment in the coming year, confidence in the outlook improved in September to its highest level for seven months."

PMI<sup>®</sup>

by S&P Global

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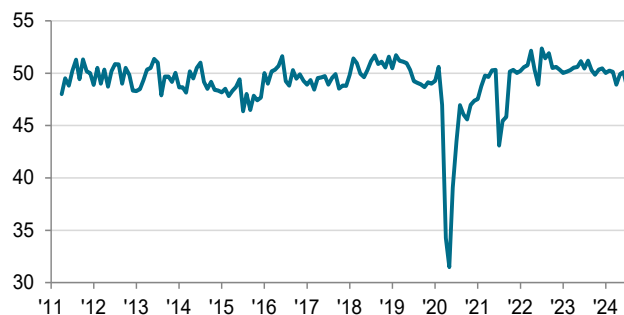
difficulties led to a marginal increase in their own warehouse inventories during September.

Despite underwhelming operating conditions, manufacturers recorded a slight increase in employment for the first time in three months. This was partly linked to an uplift in confidence, with firms reportedly hopeful of a more stable operating environment at their plants over the coming year. According to the latest data, confidence improved to a seven-month high in September.

Unfavourable exchange rate factors, and generally higher raw material prices, led to another increase in manufacturers' input costs during September. The rate of inflation was marked, though maintained its recent downturn, easing to its lowest level for a year. This in part reduced pressure on firms to raise their own charges. On the contrary, and in response to quieter market conditions, firms overall reduced output prices marginally for the first time since June 2023.

## Indonesia Manufacturing PMI Employment Index

sa, >50 = growth since previous month



Source: S&P Global PMI.

## Contact

Paul Smith  
Economics Director  
S&P Global Market Intelligence  
T: +44 1491 461 038  
[paul.smith2@spglobal.com](mailto:paul.smith2@spglobal.com)

SungHa Park  
Corporate Communications  
S&P Global Market Intelligence  
T: +81 3 6262 1757  
[sungha.park@spglobal.com](mailto:sungha.park@spglobal.com)

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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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