

News Release

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S&P Global Indonesia Manufacturing PMI[®]

Manufacturing PMI improves to three-month high in December

Key findings

New orders rise at a faster rate...

...driving quicker production growth

Selling price inflation edges up to highest in 2023

Indonesia's manufacturing sector expanded at a quicker pace in the final month of 2023, according to the latest PMI[®] data. Higher new work intakes, including from overseas, supported faster production growth and a renewed accumulation of backlogged work. Headcounts also rose alongside purchasing activity, aided by improved optimism among goods producers regarding the year-ahead outlook. Selling prices meanwhile rose at a slightly quicker rate despite softer input cost inflation.

The headline seasonally adjusted S&P Global Indonesia Manufacturing Purchasing Manager's Index™ (PMI) rose to 52.2 in December, up from 51.7 in November, to signal that manufacturing sector conditions continued to improve and at the fastest rate since September. This extended the current period of manufacturing sector expansion to 28 months.

Incoming new orders for Indonesian manufactured goods rose again in December, supported by better underlying demand conditions and further expansions of customer bases. Moreover, the rate of new order growth was the fastest since September and solid overall. Furthermore, foreign demand improved slightly for the first time in three months.

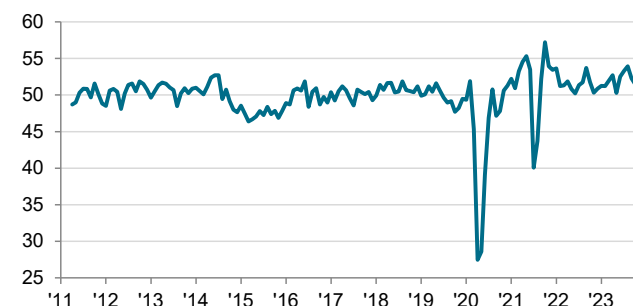
Higher new work intakes led to a faster expansion of output, as the rate of overall production growth accelerated to a four-month high. Greater amounts of new orders also led to the first rise in backlogs of work since June, albeit one that was only slight.

Increased workloads prompted Indonesian manufacturers to raise their employment levels for a second straight month, though the rate of job creation remained marginal.

Purchasing activity also increased in tandem with staffing numbers as firms acquired additional inputs for production. Amid higher buying activity and slight improvements in suppliers' delivery times, Indonesian manufacturers were

S&P Global Indonesia Manufacturing PMI

sa, >50 = growth since previous month



Source: S&P Global PMI.

Data were collected 06-15 December 2023.

Comment

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

"December's PMI data indicated that Indonesia's manufacturing sector concluded the final quarter of the year on a positive note as incoming new orders and output both expanded at solid rates. This helped to bolster purchasing activity and led to a sustained increase in employment across the goods producing sector, supporting further improvements in economic activity.

"Forward-looking PMI indicators, including the backlogs of work and future output indices, also trended positively. Overall business confidence notably rose to the second-highest level in over a year, while a slight accumulation of backlogged work reflected improvements in demand conditions.

"Finally, despite the rate of selling price inflation rising in December, it remained well below the series average to indicate muted price pressures."

PMI[®]

by S&P Global

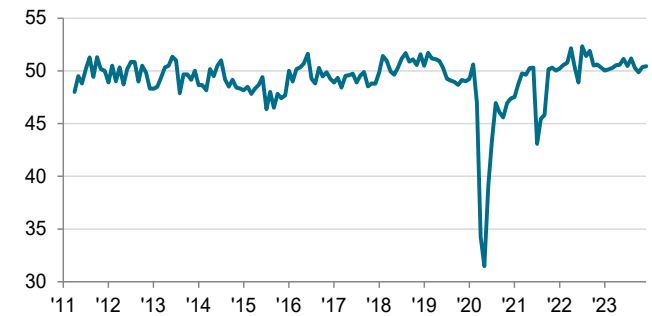
able to accumulate stocks of purchases at a faster rate in December. In contrast, post-production inventories declined marginally as finished goods were shipped out for the fulfilment of orders.

Overall sentiment in the Indonesian manufacturing sector improved again in the latest survey period as firms grew more hopeful that sales will continue to expand in 2024. Although remaining below the series average, the level of optimism was the second-highest recorded since October 2022.

On prices, overall input costs increased again in December, extending the current period of inflation to just over four years. Higher raw material, shipping and currency conversion costs underpinned the latest rise in average input prices, according to panel members. At the same time, Indonesian manufacturers raised their selling prices at a slightly quicker rate in December, citing a need to cover costs. However, rates of both input cost and output price inflation remained below their historical averages.

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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