News Release

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S&P Global Indonesia Manufacturing PMI™

PMI reaches three-month high in July amid stronger new order growth

Key findings

Stronger demand drives faster rise in output and new orders

Employment grows at sharpest rate on record

Input costs increase at slowest pace for over a year

Operating conditions across the Indonesian manufacturing sector improved at the strongest pace for three months in July, according to the latest PMI™ data from S&P Global. The overall upturn was supported by quicker increases in output and new orders, as greater domestic client demand spurred growth. New export orders, however, continued to decline. In line with stronger demand conditions, manufacturers expanded workforce numbers at the sharpest pace in over eleven years of data collection. Firms were also more upbeat in their expectations for output over the coming year, as confidence reached the highest since April.

Inflationary pressures eased at the start of the third quarter, with input costs and output charges both rising at the slowest pace for over a year.

The headline seasonally adjusted S&P Global Indonesia Manufacturing *Purchasing Manager's Index™ (PMI™)* posted 51.3 in July, up from 50.2 in June, to signal the strongest improvement in the health of the Indonesian manufacturing sector since April.

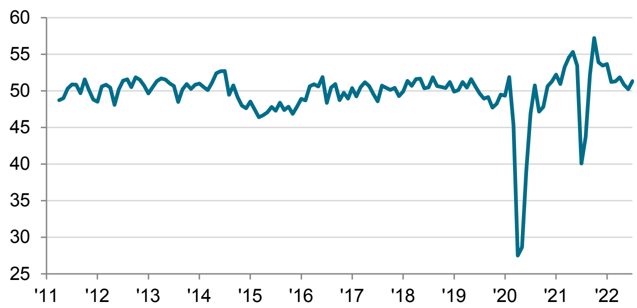
New orders across the goods-producing sector increased modestly in July, with the rate of growth accelerating from June's recent low. Firms noted that the rise in new work stemmed from greater client demand and the acquisition of new customers. Stronger demand conditions were largely supported by increased domestic spending, as new export orders fell for the second month running. The decline in foreign client demand was sharp overall and the fastest since last August.

Indonesian manufacturing firms registered a further rise in output at the start of the third quarter, as greater client demand drove up production levels. The pace of expansion was the quickest for three months.

Subsequently, Indonesian goods producers stepped up their hiring activity, with employment rising at the fastest pace on record. Companies sought to expand capacity amid greater

S&P Global Indonesia Manufacturing PMI

sa, >50 = growth since previous month



Source: S&P Global.
Data were collected 12-22 July 2022.

Comment

Siân Jones, Senior Economist at S&P Global Market Intelligence, said:

"The Indonesian manufacturing sector regained growth momentum in July, with output and new orders both rising at faster rates. Greater client demand was focussed on the domestic market, however, as foreign sales fell at the sharpest pace for almost a year.

"Increased new business spurred firms on to expand their workforce numbers, as the rate of job creation accelerated to the steepest on record.

"Encouragingly for manufacturers, July saw a softening of price pressures. Cost burdens and selling prices both rose at the slowest rate for over a year, relieving some concerns held by firms. That said, upside risks to price rises remain, as fuel and material costs continue to drive inflation."

new order inflows. Some panellists also mentioned the employment of numerous new hires during the month.

Efforts to alleviate pressure on capacity by increasing staffing numbers were generally successful, as backlogs of work were broadly unchanged on the month in July.

Meanwhile, cost burdens rose at a marked pace. Higher prices for fuel and raw materials reportedly drove inflation. That said, the rate of increase eased to the slowest since June 2021 amid indications that certain component costs had fallen.

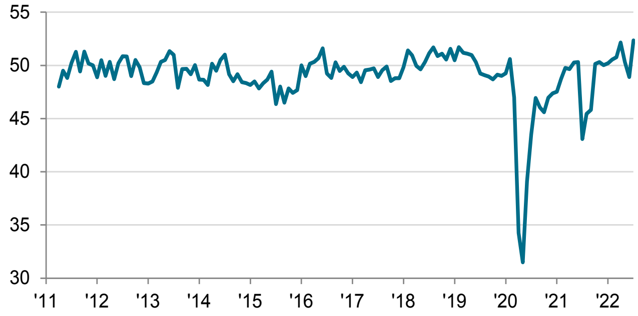
Average output charges also rose at a pace that was quicker than the series average in July, as firms passed on greater costs to clients. In line with the trend for input prices, the rate of charge inflation softened to the slowest for over a year.

At the same time, manufacturers registered a stronger degree of optimism regarding the outlook for output over the coming 12 months. Greater expectations were supported by hopes of price stability and increased new orders.

Despite input buying rising at a solid pace that was the fastest since January, firms recorded contractions in both pre- and post-production inventories in July. Goods producers highlighted that the declines were due to sales made from stock and the timely shipment of goods.

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.

About S&P Global

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We are widely sought after by many of the world's leading organizations to provide credit ratings, benchmarks, analytics and workflow solutions in the global capital, commodity and automotive markets. With every one of our offerings, we help the world's leading organizations plan for tomorrow, today.

About PMI

Purchasing Managers' Index™ (PMI™) surveys are now available for over 40 countries and also for key regions including the eurozone. They are the most closely watched business surveys in the world, favoured by central banks, financial markets and business decision makers for their ability to provide up-to-date, accurate and often unique monthly indicators of economic trends. ihsmarkit.com/products/pmi.html.