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IHS Markit Indonesia Manufacturing PMI™

Manufacturing sector expansion continues at strong pace

Key findings

Output and new orders continue to rise at robust rates

Further marked increase in purchasing activity amid improved demand

Input price inflation accelerates to eight-year high

Data were collected 12-23 November 2021.

The recovery from the COVID-19 Delta wave continued in the Indonesian manufacturing sector in November, as the sector expanded for a third straight month, according to the latest IHS Markit PMI™ data. Demand and output growth eased from the record rates seen in October but were sustained at a strong pace. Consequently, purchasing activity rose sharply again, while firms reported tentative increases in both employment and inventories. Price pressures intensified, however, with the rate of input cost inflation accelerating to an eight-year high, while firms reported a further increase in lead times for inputs.

The IHS Markit Indonesia Manufacturing Purchasing Managers' Index™ (PMI™) posted 53.9 in November, down from 57.2 in October. This represented a third straight month of improving business conditions across the Indonesian manufacturing sector.

Manufacturing production in Indonesia expanded for a third successive month as disruptions from the COVID-19 Delta wave subsided. Output had also been boosted by a rise in demand, with total new orders also expanding for a third consecutive month. Both gauges saw their rates of expansion ease from the all-time records posted in October, however.

Foreign demand continued to fall, however, shrinking for the fifth month in a row. According to anecdotal evidence, a lack of foreign enquiries and low inventory levels were blamed for the decline in November.

Higher demand and production nevertheless saw buying activity increase in Indonesia's manufacturing sector. As a result, pre-production inventories continued to rise in November. While post-production inventories also rose, and for the first time since August, the increase was marginal. Survey respondents highlighted outbound shipping delays and increased production

Indonesia Manufacturing PMI
sa, >50 = improvement since previous month



Source: IHS Markit.

Comment

Commenting on the latest survey results, Jingyi Pan, Economics Associate Director at IHS Markit, said:

“Growth momentum in the Indonesian manufacturing sector eased from October’s record pace in November, according to the latest IHS Markit Indonesia Manufacturing PMI, but remained robust to signal continued recovery from the COVID-19 Delta wave.

“Firms also continued to expand their workforce capacity and increase their buying activity amid expectations for increased future output, which had been a positive sign.

“Supply constraints continued to affect this Southeast Asian country, however, with firms seeing longer lead times and price pressures remaining prevalent. That said, the rate at which suppliers’ delivery times lengthened did ease significantly in November, potentially reflecting early signs of improvement into the year-end.”

continued...

as having contributed to the upturn in November.

Meanwhile, employment levels rose in the latest survey, albeit marginally, as Indonesian manufacturing firms expanded their workforce capacity in line with production. Backlogs nevertheless accumulated with firms indicating that both higher demand and shipping constraints drove the increase in outstanding work. Indeed, lead times continued to worsen for Indonesian manufacturers amid reports of shipping and traffic congestion.

Price pressures had been another issue that Indonesian manufacturers continued to contend with, with firms seeing input prices and output costs rising again in November. Input price inflation accelerated notably in November to an eight-year high, driven by higher raw material and transportation costs alongside supplier shortages. As a result, manufacturers continued to pass on higher cost burdens to customers by raising their prices charged.

Overall business sentiment meanwhile remained positive in November, but slipped to a 18-month low. Survey respondents were generally hopeful that the economic recovery from the COVID-19 Delta wave will continue though some are concerned with lingering effects from the virus.

Indonesia Manufacturing PMI Employment Index

sa, >50 = growth since previous month



Source: IHS Markit.

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Methodology

The IHS Markit Indonesia Manufacturing PMI™ is compiled by IHS Markit from responses to monthly 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.

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.

November 2021 data were collected 12-23 November 2021.

For further information on the PMI survey methodology, please contact economics@ihsmarkit.com.

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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.
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