

Embargoed until 0730 WIB (0030 UTC) 1 December 2020

# IHS Markit Indonesia Manufacturing PMI™

## Manufacturing output increases at record rate in November

### Key findings

Order books expand for the first time in three months...

... but purchasing activity and inventories remain in decline

Employment continues to contract

Data were collected 12-23 November 2020.

Latest PMI survey data indicated a renewed improvement in Indonesian manufacturing conditions during November, driven by a record rise in production. New orders rose for the first time in three months, but growth was only marginal, which saw operating capacity remaining in surplus. Consequently, firms remained cautious towards investing in capacity and inventories, and workforce numbers and purchasing activity shrank further. Meanwhile, inflationary pressures intensified.

The IHS Markit Indonesia Manufacturing *Purchasing Managers' Index*™ (PMI™) rose nearly three points from 47.8 in October to 50.6 in November, indicating an improvement in the health of the sector for the first time since August. At 49.2, the average PMI reading for the fourth quarter so far is the strongest since Q3 2019.

Following the loosening of large-scale social restrictions (PSBB) in Jakarta in mid-October, firms ramped up production in November, with output increasing at the fastest rate since the survey began over nine-and-a-half years ago. Anecdotal evidence indicated that the reopening of production lines and increased sales had lifted output volumes.

Demand conditions also improved, with inflows of new business increasing for the first time since August. However, the rate of expansion was marginal. Survey data showed order book growth across both consumer and investment goods producers, while makers of intermediate goods reported a further decline in sales.

With subdued sales growth, the survey indicated a surplus of operating capacity, as reflected by a further decrease in backlogs of work. This dampened hiring. Employment shrank for a ninth straight month during November as forced redundancies continued to be reported by respondents.

*continued...*

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



Source: IHS Markit.

### Comment

Commenting on the latest survey results, Bernard Aw, Principal Economist at IHS Markit, said:

*"The move to transitional PSBB provided a boost to Indonesia's manufacturing sector midway through the fourth quarter, with PMI data indicating an improvement in business conditions during November."*

*"The upturn was largely driven by a record rise in production amid widespread reports of factory reopenings and improved demand. New orders also returned to growth, though the rate of increase was marginal."*

*"The subdued upturn in sales, and a further marked drop in backlogs of work, suggest that the strong output expansion was connected to manufacturers working through previously-placed orders. Firms remained reluctant to invest in new capacity and inventories, with factory employment and purchasing activity both contracting at solid rates"*

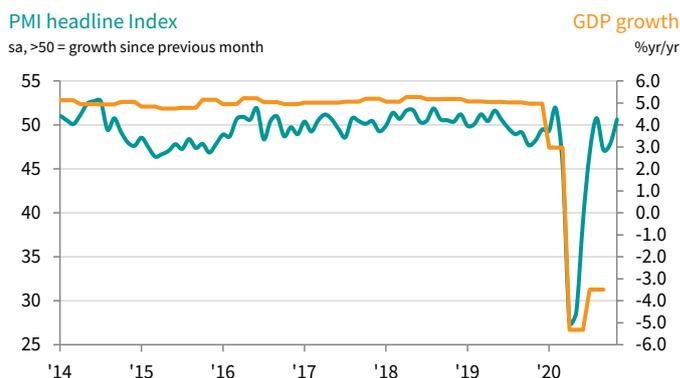
*"The sustainability of the upturn will rely on a more robust recovery in demand."*

Firms also reduced purchasing activity and inventories. Input buying fell at the weakest rate in the current nine-month period of decline, however. Stocks of purchases were drawn down again, extending the current trend of depletion to 11 months. Post-production inventories shrank for the fifth consecutive month, albeit only marginally.

Supply chains remained under pressure. Delivery times for inputs lengthened for a tenth month in a row, with the rate of increase accelerating to the fastest since May. Inclement weather, ongoing social distancing rules and a shortage of labour at distributors were cited as reasons for delivery delays.

On the price front, input cost inflation intensified in November, with expenses rising at the fastest rate for three months. Panel members highlighted that greater prices for raw materials and a depreciation in the rupiah drove inflation higher. Consequently, firms partially passed on higher costs to customers via higher charges. However, the increase in output prices was mild and far below the rise in input costs.

Finally, business sentiment remained positive. The majority of firms continued to expect output to rise over the coming year, citing expectations of a return to normal market conditions alongside planned promotional activities and improvements to product quality.



Sources: IHS Markit, Statistics Indonesia (BPS).

## Contact

Andrew Harker  
Economics Director  
IHS Markit  
T: +44 1491 461 016  
[andrew.harker@ihsmarkit.com](mailto:andrew.harker@ihsmarkit.com)

Katherine Smith  
Public Relations  
IHS Markit  
T: +1-781-301-9311  
[katherine.smith@ihsmarkit.com](mailto:katherine.smith@ihsmarkit.com)

### 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 2020 data were collected 12-23 November 2020.

For further information on the PMI survey methodology, please contact [economics@ihsmarkit.com](mailto:economics@ihsmarkit.com).

### Disclaimer

The intellectual property rights to the data provided herein are owned by or licensed to IHS Markit. Any unauthorised use, including but not limited to copying, distributing, transmitting or otherwise of any data appearing is not permitted without IHS Markit's prior consent. IHS Markit shall not have any liability, duty or obligation for or relating to the content or information ("data") contained herein, any errors, inaccuracies, omissions or delays in the data, or for any actions taken in reliance thereon. In no event shall IHS Markit be liable for any special, incidental, or consequential damages, arising out of the use of the data. Purchasing Managers' Index™ and PMI™ are either registered trade marks of Markit Economics Limited or licensed to Markit Economics Limited. IHS Markit is a registered trademark of IHS Markit Ltd. and/or its affiliates.

### About IHS Markit

IHS Markit (NYSE: INFO) is a world leader in critical information, analytics and solutions for the major industries and markets that drive economies worldwide. The company delivers next-generation information, analytics and solutions to customers in business, finance and government, improving their operational efficiency and providing deep insights that lead to well-informed, confident decisions. IHS Markit has more than 50,000 business and government customers, including 80 percent of the Fortune Global 500 and the world's leading financial institutions.

IHS Markit is a registered trademark of IHS Markit Ltd. and/or its affiliates. All other company and product names may be trademarks of their respective owners © 2020 IHS Markit Ltd. All rights reserved.

If you prefer not to receive news releases from IHS Markit, please email [katherine.smith@ihsmarkit.com](mailto:katherine.smith@ihsmarkit.com). To read our privacy policy, click here.

### 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](https://ihsmarkit.com/products/pmi.html)