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# IHS Markit Indonesia Manufacturing PMI™

## Manufacturing output and new order growth hit records

### Key findings

Strong new order growth drives production higher

First rise in employment levels in 15 months

Input and output price inflation sustained amid pandemic

Data were collected 12-21 May 2021.

The rate of expansion of the Indonesian manufacturing sector reached a new record in May. New orders, output and purchasing all rose at rates unprecedented in the ten-year survey history while employment returned to growth after 14 months to meet the rising operating capacity needs.

Supply constraints continued to be reflected by a lengthening of lead times, resulting in sustained input cost and output charge inflation in Indonesia.

The IHS Markit Indonesia Manufacturing Purchasing Managers' Index™ (PMI™) posted 55.3 in May, up from 54.6 in April and registering a new survey-record high for the third successive month. Business conditions have now strengthened in seven successive months.

The two biggest components of the headline index, output and new orders, were the main contributors to the record improvement of the manufacturing sector in May. Firms saw a stronger increase in overall demand, supported by a second month of international new order growth, which led to rising manufacturing production in May.

To meet the needs of increasing new orders and production, manufacturers ramped up their acquisition of raw materials and semi-finished goods, expanding purchasing for the fourth consecutive month. Firms linked the upturn as a response both towards the meeting of current demand and anticipation of incoming orders. May was also the second straight month where the rate of growth in purchasing activity reached a record.

Meanwhile, an expansion of workforce numbers was seen for the first time in 15 months as firms hired more staff to expand their operating capacity.

The rate of increase in work outstanding eased in May, although

*continued...*

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:

*“Indonesia’s manufacturing sector expanded at a record pace in May, according to the IHS Markit Manufacturing PMI. Companies signalled robust demand and output improvements, while the first increase in employment in 15 months was also an encouraging sign.*

*“Supply constraints remain an outstanding issue, feeding into higher prices experienced across the manufacturing sector. As a result of delivery delays, depletion of inputs was seen despite a record ramping up of purchases.*

*“Overall, firms remain broadly positive with regards to future output with hopes of improving COVID-19 conditions. It will be important for the pandemic situation to stay under control, especially with outbreaks in the Asia region and post the Idul Fitri holidays, so as not to derail the ongoing recovery.”*

backlogs of work still rose for the third month running. The aforementioned expansion of workforce numbers likely helped to alleviate some of the build-up in backlogged orders.

Suppliers' delivery times lengthened for the sixteenth consecutive month as supply constraints were sustained amid poor weather conditions, shortages of raw materials and shipping issues surrounding the COVID-19 pandemic.

With difficulties sourcing materials continuing, stocks of purchases and finished goods both continued to deplete to meet the rising demand experienced by Indonesian manufacturers.

Amid the ongoing supply constraints, input cost inflation remained elevated in May, though the rate of input price inflation softened marginally for a second straight month. Firms opted to continue sharing these cost burdens with clients, contributing to a seventh consecutive month of increase in average selling prices.

Overall, firms retained a positive outlook with regards to production. Almost three-quarters of survey respondents continue to expect production to rise in the next 12-month period, pinning hopes of an improvement in economic conditions on an improvement in the COVID-19 situation.

### Indonesia Manufacturing PMI Employment Index

sa, >50 = growth since previous month



Source: IHS Markit.

## Contact

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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.

May 2021 data were collected 12-21 May 2021.

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

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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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