

## Nikkei Indonesia Manufacturing PMI™

### Manufacturing sector growth slows in April

#### Key points:

- Output growth moderates as order book volumes broadly stagnate
- Employment growth edges down to three-month low
- Input costs decline further

Data collected April 10-23

The start of the second quarter saw growth momentum soften across the Indonesian manufacturing sector, according to latest PMI data. Slower expansion in output and broadly stagnant new orders weighed on the headline index. Firms also raised purchasing activity at a softer rate.

However, exports rose for the first time in nearly one-and-a-half years, while employment increased further. Business sentiment also remained positive. On the price front, cost pressures were subdued.

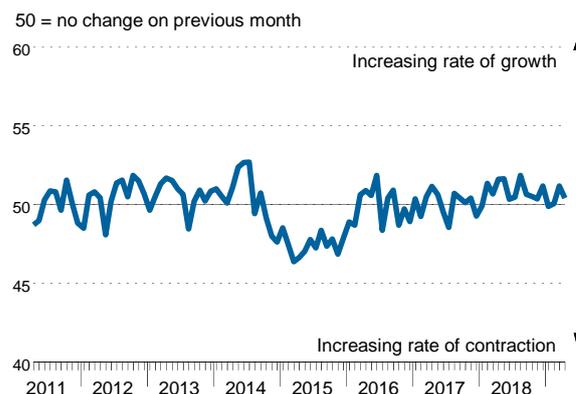
The headline seasonally adjusted **Nikkei Indonesia Manufacturing Purchasing Managers' Index™ (PMI™)** fell to 50.4 in April, down from 51.2 in March. The latest figure signalled a marginal improvement in the health of the sector, to indicate moderating growth at the start of the second quarter.

The headline PMI provides a snapshot of the manufacturing performance in the country and derives from questions on output, new orders, employment, inventories and delivery times.

Underlying demand conditions showed signs of weakening as the second quarter began. After an increase in March, inflows of new orders were little changed in April despite growth in new export orders. Overseas sales of Indonesian goods increased for the first time in almost one-and-a-half years.

Stalling demand saw production growth ease to a marginal rate which, in turn, led to a slower expansion of purchasing activity. Consequently, the accumulation of input stocks also moderated. Delivery times remained steady amid modest demand for inputs.

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Sources: IHS Markit, Nikkei

Meanwhile, stocks of finished goods continued to fall in April, although there was evidence that the faster fulfilment of orders was a central reason for the depletion. The survey data also brought further signs of spare capacity as backlogs of work continued to fall.

Despite softer demand conditions, firms expanded their workforce numbers in April, though the rate of job creation edged down to a three-month low. There was also anecdotal evidence of capital investment, while business confidence remained positive. The Future Output Index posted well above the neutral 50.0 level. Reasons for optimism included planned capacity expansions, greater marketing activity, improved quality and a wider selection of products.

Input costs fell further and at the fastest pace in the survey history, with firms citing that a stronger exchange rate and muted agricultural prices helped to bring down expenses. Output charges were broadly unchanged, but there were reports of price reductions given in response to client requests.

## Comment:

Commenting on the Indonesian Manufacturing PMI survey data, **Bernard Aw**, Principal Economist at IHS Markit, which compiles the survey, said:

*“The Indonesian manufacturing sector expanded at a slower pace at the start of the second quarter, according to the latest Nikkei PMI survey. Output growth eased while stagnating order book volumes pointed to signs of softening underlying domestic demand. Firms responded by slowing down their input purchases which led to a smaller build in input stockholdings.*

*“However, the slowdown could be temporary, as Indonesian manufacturers continued to expand operating capacity. Factory job creation has now been recorded for almost a year, alongside comments of additional machinery investments. The survey also brought signs of a revival in external demand, indicating the first rise in new export orders for nearly one-and-a-half years amid reports of improved demand in overseas markets. Finally, business confidence remained buoyant, with optimism supported by planned capacity expansions, greater marketing activity and improved product quality.*

*“The latest PMI data is consistent with annual GDP growth rates of just over 5%.”*

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**Notes to Editors:**

The Nikkei Indonesia Manufacturing *PMI*<sup>™</sup> is based on data compiled from monthly replies to questionnaires sent to purchasing executives in over 400 industrial companies. The panel is stratified by GDP and company workforce size. The manufacturing sector is divided into the following 8 broad categories: Basic Metals, Chemicals & Plastics, Electrical & Optical, Food & Drink, Mechanical Engineering, Textiles & Clothing, Timber & Paper and Transport.

Survey responses reflect the change, if any, in the current month compared to the previous month based on data collected mid-month. For each of the indicators the 'Report' shows the percentage reporting each response, the net difference between the number of higher/better responses and lower/worse responses, and the 'diffusion' index. This index is the sum of the positive responses plus a half of those responding 'the same'. Diffusion indexes have the properties of leading indicators and are convenient summary measures showing the prevailing direction of change. An index reading above 50 indicates an overall increase in that variable, below 50 an overall decrease.

The Nikkei Indonesia Manufacturing *PMI*<sup>™</sup> is a composite index based on five of the individual indexes with the following weights: New Orders - 0.3, Output - 0.25, Employment - 0.2, Suppliers' Delivery Times - 0.15, Stock of Items Purchased - 0.1, with the Delivery Times Index inverted so that it moves in a comparable direction.

IHS Markit do not revise underlying survey data after first publication, but seasonal adjustment factors may be revised from time to time as appropriate which will affect the seasonally adjusted data series. Historical data relating to the underlying (unadjusted) numbers, first published seasonally adjusted series and subsequently revised data are available to subscribers from IHS Markit. Please contact [economics@ihsmarkit.com](mailto:economics@ihsmarkit.com).

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