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# IHS Markit Indonesia Manufacturing PMI™

## Manufacturing sector returns to growth in September

### Key findings

Output and new orders rise

Supply chains remain under pressure, employment falls again

Prices continue to rise amid COVID-19 disruptions

Data were collected 13-23 September 2021.

The easing of COVID-19 restrictions across some regions of Indonesia amid the steady decline in virus case numbers enabled the manufacturing sector to return to growth in September. Both manufacturing output and new orders increased after two months of steep declines. Supply chains remained under pressure, however, contributing to elevated price pressures for manufacturers. Caution was also seen with hiring even as backlogs continued to build. Overall sentiment in the manufacturing sector remained positive.

The IHS Markit Indonesia Manufacturing Purchasing Managers' Index™ (PMI™) posted 52.2 in September, up from 43.7 in August. This represented a return to expansion for the manufacturing sector following two consecutive months of contraction. The rate at which the sector expanded was modest overall, but the index reading was comfortably above the long-run average.

Latest PMI data showed that both output and new orders returned to growth in September after two months of steep contraction. Survey respondents highlighted that demand had revived as the COVID-19 situation improved, while the easing of mobility restrictions in some areas helped to boost activity as well.

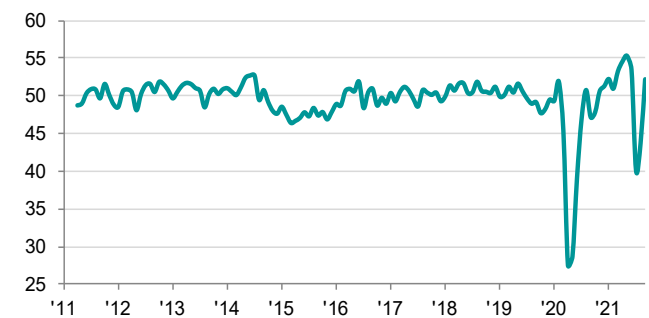
Foreign demand remained weak in September, however, with COVID-19 disruptions and shipping difficulties continuing to affect export orders.

Employment likewise remained dampened by ongoing COVID-19 disruptions even as new orders improved. Resignations and redundancies related to COVID-19 continued to be reported by panellists in the latest survey. This was despite backlogged work building up for the seventh straight month and at a rapid pace in September, in part due to higher demand.

Contributing to the increase in backlogged work were also

*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:

*“The Indonesian manufacturing sector saw a turnaround in performance during September, with the IHS Markit Indonesia Manufacturing PMI indicating a return to expansion following two months of steep contraction. The effects of the improving COVID-19 situation and slight easing of restrictions were well captured by the data.*

*“That said, while purchasing activity rose in tandem with output, hiring activity remained weak in the sector. Manufacturers’ optimism likewise fell in September even as economic conditions improved. It will be important to see if better demand conditions translate to improved business confidence as the sector begins to recover.*

*“Meanwhile supply constraints and sustained price pressures are themes worth watching, though this is not unique to Indonesia and can be seen affecting manufacturers globally.”*

difficulties in shipping, which led to a further lengthening of suppliers’ delivery times in September. COVID-19 restrictions remained the key driver of delays.

Stockpiling efforts meanwhile were seen for pre-production inventories following four months of depletion. This was in line with a renewed increase in purchasing activity in September. That said, post-production inventories fell, which was attributed to both a rise in demand and reluctance to accumulate manufactured items by firms.

Price pressures also persisted in September for manufacturers. Although the rate of input cost inflation eased slightly since August, it remained rapid overall, driven by rising raw material costs. As a result, manufacturers continued to partly pass on these cost burdens to clients, with output price inflation accelerating to the fastest in almost three years.

Despite the supply constraints and lingering mobility restrictions, Indonesian manufactures remained generally optimistic regarding production over the next 12 months, with hopes of further improvements in the COVID-19 situation. That said, the level of business confidence dipped slightly since August and was lower than the survey average.

### 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.

September 2021 data were collected 13-23 September 2021.

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