Nikkei Indonesia Manufacturing PMI™

PMI rises to four-month high in December

Key points:

- Output expands at strongest rate in seven months...
- ...as total new orders rise for the first time since September
- Inflationary pressures ease

Data collected December 5-14

Indonesia's manufacturing sector continued to expand at the end of the year, with PMI data showing a stronger expansion in output and a rebound in new orders. Firms remained optimistic about future output, which motivated them to expand operational capacities, raise purchasing activity.

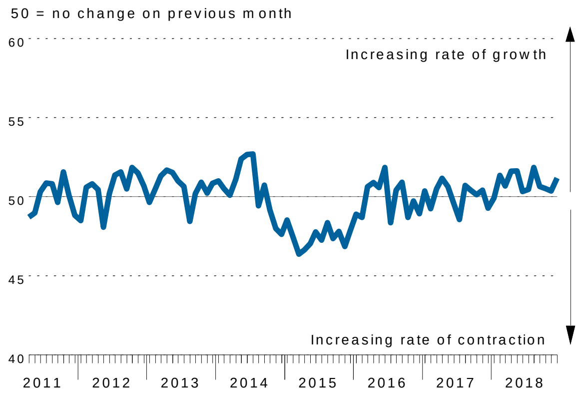
Furthermore, companies added to their staffing levels at the quickest pace for four months in December. At the same time, inflationary pressures eased noticeably, particularly for input costs, which contributed to a slower rise in output charges.

The headline seasonally **adjusted Nikkei Indonesia Manufacturing Purchasing Managers' Index™ (PMI™)** rose from 50.4 in November to 51.2 in December, indicating a modest improvement in the health of the sector. Despite stronger growth in December, the average PMI reading over the fourth quarter was the joint-weakest for the year (equal to Q1). 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.

December data brought signs of an improvement in demand conditions. Having declined in the previous two months, total new business rose at the end of the year, driven by stronger domestic demand. Sales to overseas markets continued to decrease, with firms often blaming tough market competition.

Higher overall sales encouraged manufacturing firms in Indonesia to expand production in the latest survey period. Output increased for a fifth straight month and at the fastest rate since May. The resumption of production activity previously disrupted by inclement weather also contributed to higher output.

Nikkei Indonesia Manufacturing PMI



Sources: IHS Markit, Nikkei

Facing additional workloads, firms raised staff headcounts further to keep on top of backlogs. Employment growth was the strongest for four months, while backlogs of work fell further in December.

Greater production requirements led firms to increase their purchasing activity in December, albeit at a marginal pace. There were reports of sufficient stocks among firms that had not raised input buying. Meanwhile, inventories of both inputs and finished goods continued to decline, primarily due to difficulties in sourcing raw materials and greater efficiency in delivering final products.

Indonesian goods producers continued to face greater cost burdens at the end of the year, but the rate of inflation notably waned. After increasing sharply in recent months, the latest rise in input prices was the slowest for just over a year, although still solid overall. While higher prices for raw materials continued to lift input costs, the easing of inflationary pressure in December was reportedly linked to a relatively stronger rupiah. The softer rise in costs, in turn, saw firms raise output charges at the weakest pace since April.

Finally, business confidence towards future output remained positive at the end of 2018. Reasons for optimism included plans to improve production processes and increase input inventories, plus new product models and promotional activities.

Comment:

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

"Growth in Indonesian manufacturing activity accelerated in December, to signal a positive end to the year. While the quarterly average for the final three months of 2018 was the weakest since the start of the year, other PMI indicators pointed to a brightening outlook for the sector in 2019.

"First, the latest Nikkei survey brought signs of stronger demand conditions. New orders rose for the first time in the fourth quarter during December, primarily driven by the domestic market. Export orders continued to fall despite a more competitive exchange rate.

"Second, firms expanded operating capacities in line with increasing sales. Job creation was the strongest for four months in December. Third, business confidence remained elevated, with over 45% of panellists projecting higher output in the year ahead.

"The recent stabilisation of the rupiah against the dollar also helped to tame inflationary pressures. PMI surveys showed input costs rising solidly at the end of the year, but at a noticeably slower rate compared to recent months."

Nikkei Indonesia Manufacturing PMI™ is sponsored by NIKKEI

Nikkei is a media organization with newspaper publishing at its core. Our flagship daily newspaper, The Nikkei, has approximately two and a half million subscribers. Nikkei's multi-platform media distribution also includes online, broadcast and magazines.

Since our founding in 1876 as the Chugai Bukka Shimpo (Domestic and Foreign Prices News), we have consistently provided high-quality reporting while maintaining fairness and impartiality. The Nikkei brand has become synonymous with trustworthiness at home and abroad.

Nikkei Inc. offers a range of media platforms to satisfy the diverse needs of our readers. At the core of these services is The Nikkei which has a circulation of approximately two and a half million. Adding further depth to our offerings are our premium content and strong digital technology. The number of paying subscribers to the Nikkei Online Edition, which was launched in 2010, has surpassed 500,000. Our fee-based online services have one of the largest readerships in the world among newspaper publishers. Eight years after its creation, the online edition has evolved from a medium for providing news to readers into a tool that helps people advance their careers.

In 2013, we kicked off the Nikkei Asian Review, an English-language news service provided both online and as a weekly print magazine. The following year, we established an Editorial Headquarters for Asia in Bangkok to deepen our coverage of Asian economic news. In addition, we doubled the number of reporters stationed in Asia outside Japan. 2014 also saw the launch of Nikkei Group Asia Pte., a new company in Singapore tasked with spreading the Nikkei brand in the region. Our goal is to make Nikkei the leading media voice in Asia.

http://www.nikkei.co.jp/nikkeiinfo/en/

NIKKEI ASIAN REVIEW **http://asia.nikkei.com/**

INTRODUCING THE ONLY BUSINESS PUBLICATION THAT BRINGS YOU INSIGHTS ABOUT ASIA, FROM THE INSIDE OUT

With more reporters and contributors across the region than any other business publication, only Nikkei Asian Review can give you a view of business in Asia from the inside.

Stay abreast of the latest news, analysis and insights with a subscription to Nikkei Asian Review – available in print, online, and on your mobile and tablet device.

Asia300:
Providing extensive coverage of over 300 leading companies in 11 countries and regions in Asia. Nikkei Asian Review aims to build the largest hub for Asian corporate news through enhanced reporting backed by large database of business and financial information on companies in the region.

JAPAN UPDATE:
Keeping you up-to-date with business and news from Japan.

VIEWPOINTS:
Bringing views of leading minds on Asia from around the world, including our column "Tea Leaves" written by some of our best writers.

POLITICS & ECONOMY:
Looking at fiscal and monetary policy, international affairs and more

MARKETS:
Deep analysis of the markets, with detailed industry news to keep you abreast of some of the fastest growing sectors in the region.

Video:

Watch analysts explain our articles, catch interviews with top executives.

Print Edition:

Weekly delivery of the best content from Nikkei Asian Review to your home or office

For further information, please contact:

IHS Markit (About PMI and its comment)

Bernard Aw, Principal Economist
Telephone +65 6922 4226
E-mail bernard.aw@ihsmarkit.com

Jerrine Chia, Marketing and Communications
Telephone +65 6922 4239
E-mail jerrine.chia@ihsmarkit.com

Nikkei inc. (About Nikkei)

Ken Chiba, Deputy General Manager, Public Relations Office
Atsushi Kubota, Manager, Public Relations Office
Telephone 81-3-6256-7115
Email koho@nex.nikkei.co.jp

Notes to Editors:

The Nikkei Indonesia Manufacturing *PMI*™ is based on data compiled from monthly replies to questionnaires sent to purchasing executives in over 300 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*™ 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.

About IHS Markit (www.ihsmarkit.com)

IHS Markit (Nasdaq: 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.

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. To learn more go to https://ihsmarkit.com/products/pmi.html.