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IHS Markit Indonesia Manufacturing PMI™

Record rise in manufacturing new orders

Key findings

Steep new order growth helps drive rise in production

First expansion of new export orders in 17 months

Backlogs of work increase as employment levels remain broadly stable

Data were collected 12-23 April 2021.

Growth in the Indonesian manufacturing sector accelerated again in April, with the PMI hitting a new record high for the second month running. Output, new orders and purchasing all rose at rates that were unprecedented in the ten-year survey history, while new export orders returned to growth following a 16-month period of decline.

Firms were still reluctant to take on extra staff, however, leaving employment levels broadly unchanged despite sharply rising new orders. As a result, backlogs of work accumulated for the second month running.

The IHS Markit Indonesia Manufacturing Purchasing Managers' Index™ (PMI™) posted 54.6 in April, up from 53.2 in March and registering a new survey-record high for the second successive month. Business conditions have now strengthened in six successive months.

Central to the marked improvement in business conditions was a surge in new orders. New business expanded substantially, and at by far the fastest pace since the survey began in April 2011. Firms often cited improvements in customer demand. Moreover, total new orders were boosted by a return to growth of new business from abroad. Exports increased for the first time in 17 months.

With new business expanding sharply, Indonesian manufacturers also increased their production volumes. As was the case with new orders, the rise was the steepest on record.

A record rise in purchasing activity was also registered as firms responded to new order inflows. Meanwhile, suppliers' delivery times were broadly unchanged in April, in a sign that recent supply-chain disruption has begun to ease. This helped firms to expand their stocks of purchases, thereby ending a 15-month sequence of declining pre-production inventories. Stocks of

continued...

Indonesia Manufacturing PMI

sa, >50 = improvement since previous month



Source: IHS Markit.

Comment

Commenting on the latest survey results, Andrew Harker, Economics Director at IHS Markit, said:

"Indonesian manufacturing production continued to ramp up in April amid super strong expansions of new orders. Encouragingly, total new business was supported by a first rise in exports since the COVID-19 pandemic hit as international demand shows signs of improvement."

"Somewhat disappointingly given the strength of new order growth, firms still appeared reluctant to take on extra staff. Given the subsequent build-up of backlogged work, however, manufacturers will hopefully feel confident enough to start expanding workforce numbers in the months ahead."

finished goods, meanwhile, continued to fall marginally.

Despite the strong expansion in new orders, manufacturers left their staffing levels broadly unchanged again in April, with the vast majority of respondents keeping workforce numbers stable. As a result, backlogs of work increased for the second month running, and at a solid pace that was the most marked in more than eight years.

Input costs continued to increase sharply, with higher raw material prices widely mentioned. In some cases, this was linked to supply shortages. The rate of inflation was slightly softer than that seen in March, but remained above the series average.

The passing on of higher input costs to customers resulted in a sixth successive monthly rise in selling prices. The rate of inflation was solid, but slowed for the second month running to the weakest since January.

There was again widespread optimism that output will continue to rise over the coming year, with some three-quarters of panellists forecasting an expansion. Confidence was centred on hopes that the COVID-19 pandemic will come to an end over the coming year, enabling further increases in new orders.

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.

April 2021 data were collected 12-23 April 2021.

For further information on the PMI survey methodology, please contact 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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