

# News Release

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## S&P Global Indonesia Manufacturing PMI™

### Manufacturing sector expands at faster pace in April

#### Key findings

New orders and output both increase at quicker rates

Employment levels rise at survey record rate

Business confidence declines amongst firms

Indonesia's manufacturing sector expanded at a faster pace in April, according to the latest S&P Global PMI™ data. Manufacturing production and new orders both increased at quicker rates as economic conditions improved, encouraging increases in workforce numbers and purchasing activity. Supply constraints persisted, however, with lead times for inputs lengthening again, while price pressures also remained marked in April. While business sentiment regarding the 12-month outlook for output remained positive, the overall level of optimism weakened from March.

The S&P Global Indonesia Manufacturing *Purchasing Managers' Index™* (PMI™) posted 51.9 in April, up from 51.3 in March. This represented an eighth straight month of improving business conditions across the Indonesian manufacturing sector, with the rate of improvement the fastest since January.

Manufacturing output increased at a faster rate in April, supported by higher customer demand. Though modest, the increase in production was the fastest for three months, while new order growth also picked up since March. Foreign demand rose solidly overall, although some firms reported that the war in Ukraine had weighed on total new business from abroad.

As a result of the growth in new business, Indonesian manufacturers increased staffing levels in April. Notably, the rate of job creation was the fastest in the survey history as firms sought to meet the higher production needs.

Purchasing activity also rose in April amid reports of stronger demand conditions and higher output requirements. This led to an increase in stocks of purchases, with some manufacturers also increasing their pre-production inventories for safety stock building.

Meanwhile post-production inventory levels rose only fractionally across the Indonesian manufacturing sector, as panellists indicated that an increase in production was

S&P Global Indonesia Manufacturing PMI

sa, >50 = growth since previous month



Source: S&P Global.

Data were collected 11-22 April 2022.

#### Comment

Jingyi Pan, Economics Associate Director at S&P Global, said:

*“The expansion of Indonesia’s manufacturing sector continued in April and at a stronger pace, according to the S&P Global Indonesia Manufacturing PMI. An improvement in economic conditions was reflected by stronger upturns in both demand and production, which was a positive sign.*

*“That said, supply issues persisted with longer lead times reported even as COVID-19 disruptions appeared to have eased in April. Price pressures also worsened over April that could put a strain on production moving forward.*

*“At the same time, business confidence fell sharply over April and it will be worth monitoring the impact of higher inflationary pressures. With that said, the increase in purchasing activity and importantly, the solid expansion of workforce numbers, continued to reflect some confidence from firms for the near-term.”*

PMI™

by S&P Global

## S&P Global Indonesia Manufacturing PMI

Supply constraints persisted in April, with firms indicating a further lengthening of suppliers' delivery times. Anecdotal evidence suggested that supplier shortages and transportation delays contributed to the lengthening of lead times.

At the same time, price pressures intensified as both input cost and output price inflation accelerated in April. Indonesian manufacturers reported higher costs for inputs including raw materials and fuel, which they have continued to share with clients. The rates of inflation were also amongst the fastest in the survey's history.

Overall business sentiment remained positive in the Indonesian manufacturing sector with firms generally hopeful of further improvements in economic conditions and sales. That said, the level of business confidence receded from March to a level that was below the series average.

### Indonesia Manufacturing PMI Employment Index

sa, >50 = growth since previous month



Source: S&P Global.

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### Survey methodology

The S&P Global Indonesia Manufacturing PMI™ is compiled by S&P Global from responses to 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. Data collection began in April 2011.

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.

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

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