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# IHS Markit Indonesia Manufacturing PMI™

## Indonesia's manufacturing sector grows at record rate in October

### Key findings

Output and new orders rise at unprecedented rates

Employment levels increase for first time in four months

Input price inflation accelerates to eight-year high

Data were collected 12-22 October 2021.

The further easing of COVID-19 restrictions enabled the Indonesian manufacturing sector to grow at a survey-record pace in October, according to the latest IHS Markit PMI™ data. At the same time, employment levels rose slightly for the first time in four months while purchasing activity expanded at the sharpest pace on record, leading to higher input inventory levels. However, lead times for inputs continued to lengthen, while price pressures also strengthened. That said, overall business confidence improved in October with hopes for continued recovery.

The IHS Markit Indonesia Manufacturing Purchasing Managers' Index™ (PMI™) posted 57.2 in October, up from 52.2 in September. This represented a second straight month of improving business conditions across the Indonesian manufacturing sector. The rate of growth was the fastest since the survey began in April 2011.

Supporting the higher headline PMI reading were steeper increases in new work and output in October, which both expanded at record rates. Anecdotal evidence suggested that a relative improvement in the domestic COVID-19 situation, coupled with further easing of restrictions, enabled demand to grow and the economy to recover. However, foreign demand contracted once again, albeit marginally.

Given the stronger overall demand, manufacturers looked to expand their operating capacities by raising their workforce numbers for the first time in four months, albeit slightly. Backlogs of work nevertheless increased, though the rate of growth eased from September.

Manufacturers also raised their buying activity again in October. Both the quantity and stocks of purchases increased at record rates. On the other hand, given the rise in demand and shortages

*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 the fastest growth on record, according to the latest IHS Markit Indonesia Manufacturing PMI, which reflected improvements brought about by the further easing of COVID-19 restrictions.*

*"The increases in demand and output also translated to better manufacturing sector confidence, as seen both through the Future Output Index and in firms' buying and hiring activity, all positive signs for the sector going forward.*

*"Supply constraints persisted, however, with firms seeing an increase in price pressures and longer lead times in October. While this is not unique to Indonesia, it will be worth watching whether supply issues will dampen the economic recovery in the months ahead."*

of inputs, post-production inventory levels declined.

In terms of vendor performance, supply shortages and shipping issues led to longer average lead times again in October. Panellists also indicated that firmer demand conditions had aggravated the issue in October.

On the prices front, Indonesian manufacturers noted that supply shortages drove prices higher in the latest survey period. Input cost inflation rose at the sharpest rate in eight years, with many citing higher raw material costs. As a result, firms continued to pass on greater expenses to consumers, leading to a rise in output prices, though the rate of increase slowed since September.

Overall business sentiment meanwhile improved in October, rising to a level above the series average. Survey respondents were generally hopeful that economic conditions will continue to improve as COVID-19 disruptions to the manufacturing sector ease.

### Indonesia Manufacturing PMI Employment Index

sa, >50 = growth since previous month



Source: IHS Markit.

## Contact

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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.

October 2021 data were collected 12-22 October 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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