

Embargoed until 0730 WIB (0030 UTC) 1 September 2021

# IHS Markit Indonesia Manufacturing PMI™

## Manufacturing sector contracts again in August

### Key findings

Output and new orders both fall, albeit at slower rates

Employment conditions worsen even as backlogs build at record rate

Price pressures intensify amid COVID-19 disruptions

Data were collected 12-23 August 2021.

Ongoing COVID-19 disruptions for the Indonesian economy weighed on the manufacturing sector for a second consecutive month in August. That said, with the second COVID-19 wave having peaked, the declines in production and demand eased from the severe rates seen in July. Manufacturers nevertheless remained cautious with their purchases and employment. Disruptions around production also kept backlogs and price pressures building in August.

The IHS Markit Indonesia Manufacturing Purchasing Managers' Index™ (PMI™) posted 43.7 in August, up from 40.1 in July. This represented a second straight month of contraction for the Indonesian manufacturing sector. Though the rate of deterioration softened from July's 13-month record, it remained sharp overall.

In line with the headline PMI reading, both output and new orders continued to fall in August, but at slower rates compared to July. This is reflective of the current COVID-19 wave, which saw daily cases remaining elevated by historical standards but have visibly improved from the recent peak in late July. Panellists continued to state that COVID-19 related restrictions had weighed on both demand and production. Foreign demand for Indonesian manufactured goods likewise fell at a slower rate in August.

Although the rate of deterioration for production and new orders eased from July, they remained among the steepest seen in the survey's history, leading firms to remain cautious with employment levels. This, combined with COVID-19 related absence from work, contributed to the sharpest accumulation of backlogged work on record.

Purchasing activity meanwhile fell in line with new orders for a second straight month, though at a slower pace compared

*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 continued to be affected by the second COVID-19 wave in August, and to a severe extent according to the latest IHS Markit PMI survey. The good news, however, is that things appear to be improving from July in line with the decline in COVID-19 cases in Indonesia. This was shown by the easing in the rates of decline for both demand and output compared to July.*

*“COVID-19 driven disruptions to supply chains persisted in August, with firms registering a further deterioration of vendor performance and subsequent build-up of price pressures.*

*“At the same time, we have seen confidence amongst Indonesian manufacturers sliding from July, despite the easing of the COVID-19 wave. Acquisition of pre-production inventory and employment conditions likewise deteriorated. Going forward, it will be important to see these sub-indices improve as the first signs of recovery from the latest COVID-19 wave for the Indonesian manufacturing sector.”*

to July. At the same time, pre-production inventories for manufacturers declined for the fourth month in a row.

Delivery delays also persisted in August due to COVID-19 disruptions, as evident through the lengthening of lead times for the nineteenth consecutive month. The rate at which lead times increased was not as severe as July's recent record, but remained marked overall. As a result of the delays, some manufacturers reported difficulties in shipping their own products, contributing to a marginal increase in stocks of finished goods in August.

On prices, increased costs for raw materials contributed to an acceleration in the rate of input cost inflation to the fastest since January 2014. Manufacturers opted to share part of these cost burdens with their clients, resulting in a stronger rise in output charges in August.

Despite demand and production declining at softer rates in August, sentiment amongst Indonesian manufacturers weakened since July. The overall level of confidence regarding production over the next 12 months nevertheless remained above the survey's average amid hopes amongst firms that the COVID-19 situation will improve and unleash pent-up demand in the Indonesian manufacturing sector.

### 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.

August 2021 data were collected 12-23 August 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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