

Embargoed until 0730 WIB (0030 UTC) 4 January 2021

IHS Markit Indonesia Manufacturing PMI™

Output rises solidly again amid faster new order growth

Key findings

Second-fastest rise in output in survey's history

Employment falls, but at weakest pace in ten months

Difficulties securing materials reported

Data were collected 04-16 December 2020.

The final month of 2020 saw a further improvement in business conditions in the Indonesian manufacturing sector. New order growth quickened, leading to another solid expansion in output that was the second-fastest in the survey's near ten-year history. There remained evidence of spare capacity, however, leading to a further reduction in employment.

Meanwhile, difficulties in supply chains were reported, leading to delivery delays and rising input costs. As a result, output prices were also increased, and to the greatest extent in just over a year-and-a-half.

The IHS Markit Indonesia Manufacturing Purchasing Managers' Index™ (PMI™) posted above the 50.0 no-change mark for the second month running in December, rising to 51.3 from 50.6 in November. The reading signalled a modest improvement in business conditions, and the greatest for ten months.

Operating conditions were boosted by a sharper increase in new orders, which rose for the second month running. Panellists reported signs of improving demand as disruption from the coronavirus disease 2019 (COVID-19) pandemic eased. That said, new export orders fell sharply.

Growth of total new business supported a second successive increase in output at the end of the year. Although softening from November's record, the rate of expansion remained solid and was the second-fastest in the survey's history.

The rise in output was achieved despite ongoing reductions in employment. Staffing levels decreased for the tenth month running, albeit at the softest pace in this sequence.

Employment continued to be lowered in line with ongoing spare capacity in the sector, despite a recent pick-up in new orders. Backlogs of work were depleted at a solid pace.

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 firms had a largely positive end to 2020, with latest PMI data showing second successive rises in output and new orders. There remains a long way to go given the severe disruption caused by the COVID-19 pandemic, but manufacturers are at least confident regarding prospects for 2021."

"On a less positive note, levels of capacity in the sector was such that further reductions in employment were recorded, while widespread supply-chain disruption hampered efforts to secure raw materials. Firms will be hoping that these areas show signs of improvement in the early part of 2021."

Purchasing activity stabilised in December as a number of firms expanded input buying in line with rising new orders. Other firms saw purchasing decrease amid difficulties sourcing materials.

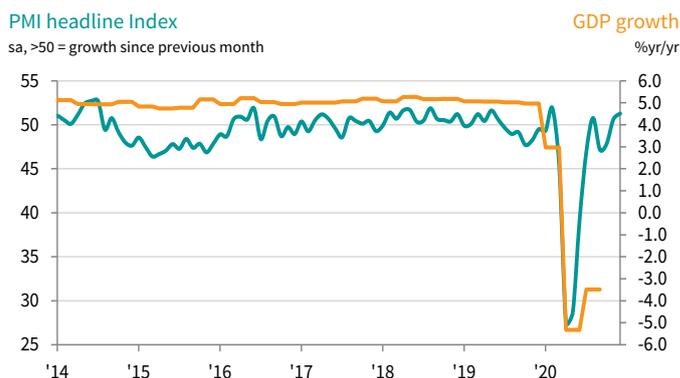
These issues securing raw materials were evident in data on suppliers' delivery times, which lengthened to the greatest extent in seven months. COVID-19 restrictions and particular difficulties importing items were mentioned by panel members.

Raw material shortages contributed to a sharp and accelerated increase in input prices. Moreover, the rate of input cost inflation quickened to the steepest since November 2018.

Output prices also rose at a faster pace, and one that was the strongest in 19 months as firms passed on higher input costs to customers.

Stocks of both purchases and finished goods decreased again at the end of 2020, with both down at modest rates. The rate of depletion of pre-production inventories softened for the eighth successive month and was the weakest since February.

Manufacturers in Indonesia remained confident that output will increase over the coming year, although sentiment dipped slightly in December. Optimism was centred on predictions of further increases in new orders and hopes that the COVID-19 pandemic would subside.



Contact

Andrew Harker
Economics Director
IHS Markit
T: +44 1491 461 016
andrew.harker@ihsmarkit.com

Katherine Smith
Public Relations
IHS Markit
T: +1-781-301-9311
katherine.smith@ihsmarkit.com

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.

December 2020 data were collected 04-16 December 2020.

For further information on the PMI survey methodology, please contact economics@ihsmarkit.com.

Disclaimer

The intellectual property rights to the data provided herein are owned by or licensed to IHS Markit. Any unauthorised use, including but not limited to copying, distributing, transmitting or otherwise of any data appearing is not permitted without IHS Markit's prior consent. IHS Markit shall not have any liability, duty or obligation for or relating to the content or information ("data") contained herein, any errors, inaccuracies, omissions or delays in the data, or for any actions taken in reliance thereon. In no event shall IHS Markit be liable for any special, incidental, or consequential damages, arising out of the use of the data. Purchasing Managers' Index™ and PMI™ are either registered trade marks of Markit Economics Limited or licensed to Markit Economics Limited. IHS Markit is a registered trademark of IHS Markit Ltd. and/or its affiliates.

About IHS Markit

IHS Markit (NYSE: 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.

IHS Markit is a registered trademark of IHS Markit Ltd. and/or its affiliates. All other company and product names may be trademarks of their respective owners © 2021 IHS Markit Ltd. All rights reserved.

If you prefer not to receive news releases from IHS Markit, please email katherine.smith@ihsmarkit.com. To read our privacy policy, click here.

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.
ihsmarkit.com/products/pmi.html