

Embargoed until 0730 WIB (0030 UTC) 2 September 2019

IHS Markit Indonesia Manufacturing PMI™

PMI falls to a 25-month low in August

Key findings

Output decreases amid a decline in new orders

Purchasing activity falls at fastest rate since November 2015

Backlogs and employment decline again

Manufacturing conditions in Indonesia deteriorated further midway through the third quarter, as firms cut production in response to lower demand. New orders fell for the first time in four months during August, led by a decline in exports. Consequently, backlogs of work and employment shrank further. Staff numbers were reduced at the fastest rate for 20 months.

Purchasing activity was scaled back while stocks of finished goods increased amid reports of unsold products. Inflationary pressures were meanwhile relatively weak.

At 49.0 in August, the IHS Markit Indonesia Manufacturing Purchasing Managers' Index™ (PMI™) fell from 49.6 in July to signal the steepest deterioration in the health of the sector for just over two years. The headline index is a single-digit indicator that provides a quick snapshot of business conditions in the manufacturing sector, and derived from questions on orders, output, employment, suppliers' delivery times and inventories.

Overall demand conditions worsened in August. Inflows of total new orders declined at the steepest rate since July 2017, partially dragged down by falling export sales. New export orders fell at the fastest pace for 10 months.

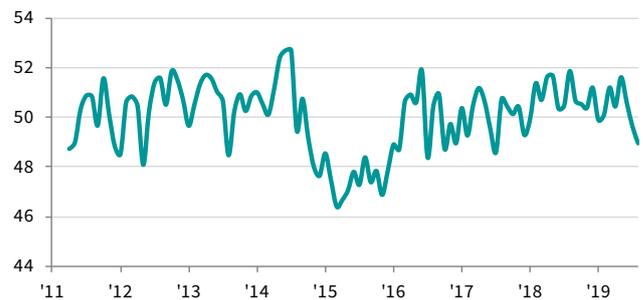
In response to lower sales, goods producers cut back on production. Output fell for a second straight month in August, and at the sharpest pace since December 2017. Inventories of final goods meanwhile accumulated for a fourth straight month amid reports of a build-up of unsold goods at some firms.

Consequently, the survey showed signs of spare capacity. Backlogs of work fell again in August which, in turn, weighed on hiring. Lower employment was reported for the second month running.

continued...

Indonesia Manufacturing PMI

sa, >50 = improvement since previous month



Source: IHS Markit.

Comment

Commenting on the latest survey results, Bernard Aw, Principal Economist at IHS Markit, said:

"The manufacturing downturn in Indonesia gathered momentum in August, according to the latest IHS Markit PMI survey, with the headline index falling to its lowest level for just over two years.

"Latest survey data indicated a worsening in overall demand conditions, both at home and abroad. New order inflows fell for the first time in four months, and at the fastest rate since July 2017, led by a marked decline in export sales. Inventories of finished goods rose in August amid reports of a build-up in unsold goods.

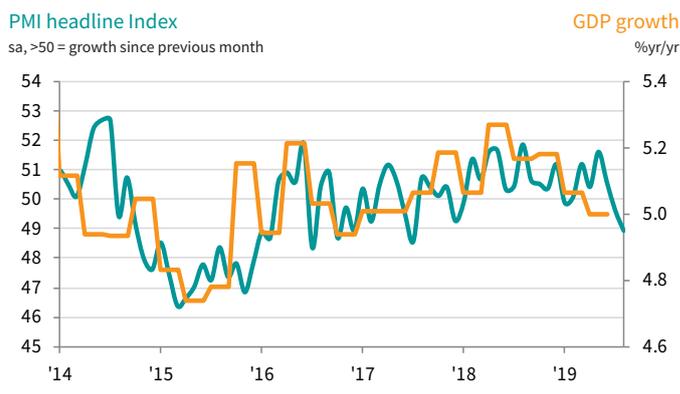
"Indonesian goods producers responded to lower sales by cutting back on production volumes and input purchases. In fact, the contraction in purchasing activity was the steepest since late 2015.

"Historical comparisons showed the latest PMI reading is consistent with GDP expanding at an annual rate of just below 5%."

Goods producers also cut down on purchasing activity as part of efforts to adjust to lower output requirements. The decline in input buying levels was the sharpest seen for over three-and-a-half years. However, stocks of purchases were up modestly following a decrease in July. Meanwhile, delivery times shortened for a seventh consecutive month in August.

Inflationary pressures remained muted. Input costs rose at the weakest pace in the current four-month sequence of inflation during August. As a result, firms raised their output charges only marginally.

Sentiment towards the year ahead outlook for output remained buoyant, though the overall level of optimism dipped to a four-month low. Business confidence was connected to higher sales projections, new marketing and promotional activities, and planned capital investments.



Contact

Bernard Aw
Principal Economist
IHS Markit
T: +65 6922 4226
bernard.aw@ihsmarkit.com

Joanna Vickers
Corporate Communications
IHS Markit
T: +44-207-260-2234
joanna.vickers@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.

August 2019 data were collected 12-22 August 2019.

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 © 2019 IHS Markit Ltd. All rights reserved.

If you prefer not to receive news releases from IHS Markit, please email joanna.vickers@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. To learn more go to ihsmarkit.com/products/pmi.html.