

# Nikkei Indonesia Manufacturing PMI™

## PMI rises to 23-month high in May

- Strongest rise in new orders since July 2014
- Solid increases in production and buying activity
- Inflationary pressures intensify

### Key points:

Data collected May 11-23

Indonesia's manufacturing sector continued to expand midway through the second quarter. Growth was underpinned by the fastest rise in new orders since July 2014, while output rose at a historically marked pace. At the same time, inflationary pressures picked up, with input costs rising at the sharpest rate in over two-and-a-half years and output prices increasing to the greatest extent since December 2015. Looking ahead, optimism surrounding business prospects in the next 12 months strengthened to a three-month high.

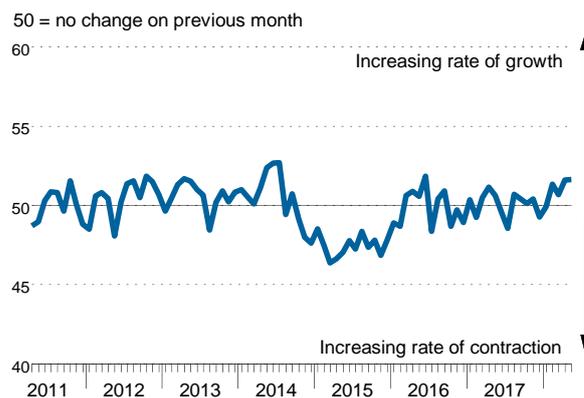
The headline seasonally adjusted Nikkei Indonesia Manufacturing Purchasing Managers' Index™ (PMI™) rose from 51.6 to 51.7 in May. Though modest, the improvement in the health of the sector was the strongest since June 2016.

Output rose for the fourth consecutive month, thereby marking the longest period of expansion for around five years. Notably, the rate of growth was close to April's 45-month high. According to panellists, stronger inflows of new business supported the latest upturn in production.

The upward movement in the headline index was also supported by the sharpest rise in new orders since July 2014. Stronger domestic demand conditions underpinned new client wins, according to anecdotal evidence.

In contrast, new export orders declined for the sixth successive month in May. Panellists attributed the decline in new orders from abroad to weak demand across international markets. However, the rate of contraction moderated since April's 13-month record.

### Nikkei Indonesia Manufacturing PMI



Sources: Nikkei, IHS Markit

Despite a further rise in new order book volumes, backlogs of work declined during May. Panellists often highlighted that there were sufficient resources to ensure the timely completion of outstanding work. Subsequently, firms reduced their staffing levels, albeit at a marginal pace.

May's survey meanwhile revealed sustained pressures on supply chains, as lead times for inputs continued to increase (though only marginally).

May saw a further steep increase in average prices paid for purchases. Furthermore, the rate of input price inflation accelerated to the sharpest since October 2015. According to anecdotal evidence, pressure on the Indonesian rupiah relative to the US dollar contributed to higher costs for imported raw materials. Consequently, factory gate prices were raised to the greatest extent since December 2015.

Manufacturers remained confident that output will rise over the next 12 months. The degree of optimism was at a three-month high, reflecting expected improvements in demand and planned company expansions.

### Comment:

Commenting on the Indonesian Manufacturing PMI survey data, **Aashna Dodhia**, Economist at IHS Markit, which compiles the survey, said:

*“The improvement in the health of Indonesia’s manufacturing sector during May was the strongest since June 2016, supported by the quickest upturn in new business since July 2014. Panellists indicated that this reflected stronger domestic demand, as global demand for Indonesian goods remained subdued.*”

*“Sustained pressure on the Indonesian rupiah materialised into the sharpest increase in input costs since October 2015. May’s PMI prices data validate Bank of Indonesia’s decision to raise the benchmark interest rate for the first time since 2014. It is hoped that the interest rate policy move will help safeguard Indonesia from foreign capital flight and relieve pressures on the rupiah.*”

*“Looking ahead, expectations of further improvements in demand bolstered business confidence towards the 12-month outlook to a three-month high.”*

## Nikkei Indonesia Manufacturing PMI™ is sponsored by

Nikkei is a media organization with newspaper publishing at its core. Our flagship daily newspaper, The Nikkei, has approximately two and a half million subscribers. Nikkei's multi-platform media distribution also includes online, broadcast and magazines.

Since our founding in 1876 as the Chugai Bukka Shimpo (Domestic and Foreign Prices News), we have consistently provided high-quality reporting while maintaining fairness and impartiality. The Nikkei brand has become synonymous with trustworthiness at home and abroad.

Nikkei Inc. offers a range of media platforms to satisfy the diverse needs of our readers. At the core of these services is The Nikkei which has a circulation of approximately two and a half million. Adding further depth to our offerings are our premium content and strong digital technology. The number of paying subscribers to the Nikkei Online Edition, which was launched in 2010, has surpassed 500,000. Our fee-based online services have one of the largest readerships in the world among newspaper publishers. Eight years after its creation, the online edition has evolved from a medium for providing news to readers into a tool that helps people advance their careers.

In 2013, we kicked off the Nikkei Asian Review, an English-language news service provided both online and as a weekly print magazine. The following year, we established an Editorial Headquarters for Asia in Bangkok to deepen our coverage of Asian economic news. In addition, we doubled the number of reporters stationed in Asia outside Japan. 2014 also saw the launch of Nikkei Group Asia Pte., a new company in Singapore tasked with spreading the Nikkei brand in the region. Our goal is to make Nikkei the leading media voice in Asia.

<http://www.nikkei.co.jp/nikkeiinfo/en/>

### ASIAN REVIEW <http://asia.nikkei.com/>

#### INTRODUCING THE ONLY BUSINESS PUBLICATION THAT BRINGS YOU INSIGHTS ABOUT ASIA, FROM THE INSIDE OUT

With more reporters and contributors across the region than any other business publication, only Nikkei Asian Review can give you a view of business in Asia from the inside.

Stay abreast of the latest news, analysis and insights with a subscription to Nikkei Asian Review – available in print, online, and on your mobile and tablet device.



#### Asia300:

Providing extensive coverage of over 300 leading companies in 11 countries and regions in Asia. Nikkei Asian Review aims to build the largest hub for Asian corporate news through enhanced reporting backed by large database of business and financial information on companies in the region.



#### JAPAN UPDATE:

Keeping you up-to-date with business and news from Japan.



#### VIEWPOINTS:

Bringing views of leading minds on Asia from around the world, including our column "Tea Leaves" written by some of our best writers.



#### POLITICS & ECONOMY:

Looking at fiscal and monetary policy, international affairs and more



#### MARKETS:

Deep analysis of the markets, with detailed industry news to keep you abreast of some of the fastest growing sectors in the region.



#### Video:

Watch analysts explain our articles, catch interviews with top executives.



#### Print Edition:

Weekly delivery of the best content from Nikkei Asian Review to your home or office

**For further information, please contact:**

**IHS Markit (About PMI and its comment)**

Aashna Dodhia, Economist  
Telephone +44 1491 461 003  
Email [aashna.dodhia@ihsmarkit.com](mailto:aashna.dodhia@ihsmarkit.com)

Jerrine Chia, Marketing and Communications  
Telephone +65 6922 4239  
E-mail [jerrine.chia@ihsmarkit.com](mailto:jerrine.chia@ihsmarkit.com)

Bernard Aw, Principal Economist  
Telephone +65 6922 4226  
E-mail [bernard.aw@ihsmarkit.com](mailto:bernard.aw@ihsmarkit.com)

**Nikkei inc. (About Nikkei)**

Ken Chiba, Deputy General Manager, Public Relations Office  
Atsushi Kubota, Manager, Public Relations Office  
Telephone 81-3-6256-7115  
Email [koho@nex.nikkei.co.jp](mailto:koho@nex.nikkei.co.jp)

**Notes to Editors:**

The Nikkei Indonesia Manufacturing *PMI*<sup>™</sup> is based on data compiled from monthly replies to questionnaires sent to purchasing executives in over 300 industrial companies. The panel is stratified by GDP and company workforce size. The manufacturing sector is divided into the following 8 broad categories: Basic Metals, Chemicals & Plastics, Electrical & Optical, Food & Drink, Mechanical Engineering, Textiles & Clothing, Timber & Paper and Transport.

Survey responses reflect the change, if any, in the current month compared to the previous month based on data collected mid-month. For each of the indicators the 'Report' shows the percentage reporting each response, the net difference between the number of higher/better responses and lower/worse responses, and the 'diffusion' index. This index is the sum of the positive responses plus a half of those responding 'the same'. Diffusion indexes have the properties of leading indicators and are convenient summary measures showing the prevailing direction of change. An index reading above 50 indicates an overall increase in that variable, below 50 an overall decrease.

The Nikkei Indonesia Manufacturing *PMI*<sup>™</sup> is a composite index based on five of the individual indexes with the following weights: New Orders - 0.3, Output - 0.25, Employment - 0.2, Suppliers' Delivery Times - 0.15, Stock of Items Purchased - 0.1, with the Delivery Times Index inverted so that it moves in a comparable direction.

IHS Markit do not revise underlying survey data after first publication, but seasonal adjustment factors may be revised from time to time as appropriate which will affect the seasonally adjusted data series. Historical data relating to the underlying (unadjusted) numbers, first published seasonally adjusted series and subsequently revised data are available to subscribers from IHS Markit. Please contact [economics@ihsmarkit.com](mailto:economics@ihsmarkit.com).

**About IHS Markit ([www.ihsmarkit.com](http://www.ihsmarkit.com))**

IHS Markit (Nasdaq: 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 © 2018 IHS Markit Ltd. All rights reserved.

**About PMI**

Purchasing Managers' Index<sup>™</sup> (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 <https://ihsmarkit.com/products/pmi.html>.

The intellectual property rights to the Nikkei Indonesia Manufacturing *PMI*<sup>™</sup> 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<sup>™</sup> and *PMI*<sup>™</sup> are either registered trademarks of Markit Economics Limited or licensed to Markit Economics Limited. Nikkei use the above marks under license. IHS Markit is a registered trademark of IHS Markit Ltd. and/or its affiliates.

If you prefer not to receive news releases from IHS Markit, please email [joanna.vickers@ihsmarkit.com](mailto:joanna.vickers@ihsmarkit.com). To read our privacy policy, click [here](#).