

Nikkei Indonesia Manufacturing PMI™

Manufacturing production falls at fastest pace in 19 months

Key points:

- Sharp and accelerated drop in output
- Total new work, exports and employment contract
- Lowest level of confidence since April 2013

Data collected July 12-21

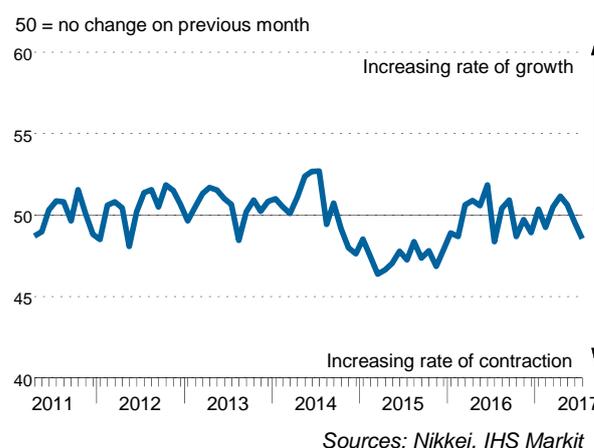
PMI data pointed to a further deterioration in the health of Indonesia's manufacturing economy in July. A reduction in inflows of new work caused a sharp and accelerated drop in output. This in turn led to job shedding, fewer quantities of inputs purchased and depletions in stock levels. Business confidence was hit, reaching its lowest level in over four years. Encouragingly, inflation rates for both input costs and output charges cooled.

With contractions noted across a number of key variables, the headline PMI remained below the critical 50.0 threshold in July, thereby pointing to a second consecutive monthly worsening of manufacturing business conditions. The headline seasonally adjusted **Nikkei Indonesia Manufacturing Purchasing Managers' Index™ (PMI™)** fell from 49.5 in June to a one-year low of 48.6.

The level of new work placed with goods producers decreased in July, having broadly stagnated in the prior month. Although moderate, the rate of reduction was the quickest recorded since last October. Anecdotal evidence pointed to weak demand, challenging economic conditions and the postponement of clients' orders. These factors, combined with shortages of raw materials, caused another drop in production volumes. Factory output decreased sharply, and to the greatest extent since December 2015.

In addition to the fall in total new work, July saw a deterioration in foreign demand for Indonesian-manufactured goods. The decline in new export orders was only slight, but ended a three-month sequence of expansion.

Nikkei Indonesia Manufacturing PMI



Weak client demand led manufacturers to cut spending in July, with both employment and buying levels down since June. The downturn in quantities of purchases was the first since January, while job shedding was registered for the tenth straight month. Concurrently, a further drop in backlogs highlighted ongoing spare capacity among firms.

Goods producers also indicated a preference for low stock levels (on average), with both pre- and post- production inventories declining in July. Rates of depletion were, nonetheless, only slight. The fall in holdings of raw materials and semi-finished items reflected a contraction in buying levels, whereas the drop in stocks of finished goods was due to orders being fulfilled directly from inventories.

The deterioration in operating conditions had a knock-on effect on business sentiment. Overall, companies still expect output to increase over the course of the coming year, but the degree of confidence dropped to the lowest since April 2013 and was much weaker than its long-run average.

Price indicators pointed to softer inflationary pressures in the sector. Input costs rose at the slowest rate in the year-to-date, while output charge inflation was at a two-month low. Where cost burdens did increase, survey participants cited higher supplier list prices.

Finally, delivery times for purchased items increased in July amid reports of traffic congestion and shortages of raw materials at vendors.

Comment:

Commenting on the Indonesian Manufacturing PMI survey data, **Pollyanna De Lima**, Principal Economist at IHS Markit, which compiles the survey, said:

“Indonesian manufacturers reported another difficult month in July, with output falling at an accelerated pace amid a drop in new business inflows. A subdued demand environment both domestically and externally held back the sector, with companies trimming stock levels, purchasing and employment in response. There was better news from the survey’s price indicators, with reduced cost inflationary pressures leading output price inflation to wane.”

-Ends-

Nikkei Indonesia Manufacturing PMI™ is sponsored by **NIKKEI**

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

The Nikkei marks its 140th anniversary this year. 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 three 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 400,000. Our fee-based online services have one of the largest readerships in the world among newspaper publishers. Five years after its creation, the online edition is set to evolve 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/>

NIKKEI 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)

Pollyanna De Lima, Principal Economist
Telephone +44 1491 461 075
Email pollyanna.delima@ihsmarkit.com

Jerrine Chia, Marketing and Communications
Telephone +65 6922 4239
E-mail jerrine.chia@ihsmarkit.com

Bernard Aw, Principal Economist
Telephone +65 6922 4226
E-mail 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

Notes to Editors:

The Nikkei Indonesia Manufacturing *PMI*[™] 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*[™] 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.

About IHS Markit (www.ihsmarkit.com)

IHS Markit (Nasdaq: INFO) is a world leader in critical information, analytics and expertise to forge 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 key business and government customers, including 85 percent of the Fortune Global 500 and the world's leading financial institutions. Headquartered in London, IHS Markit is committed to sustainable, profitable growth.

IHS Markit is a registered trademark of IHS Markit Ltd. All other company and product names may be trademarks of their respective owners © 2017 IHS Markit Ltd. All rights reserved.

About PMI

Purchasing Managers' Index[™] (*PMI*[™]) surveys are now available for over 30 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 www.markit.com/product/pmi.

The intellectual property rights to the Nikkei Indonesia Manufacturing *PMI*[™] 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 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.

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