NIKKEI

PMI™ By IHS Markit

News Release

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Nikkei Indonesia Manufacturing PMI™

PMI slips to five-month low in November

Key points:

- Total new orders broadly stable, but export sales decline further
- Supply chains under pressure due to weather-related disruptions
- Inflationary pressures remain strong

Data collected November 12-23

Growth momentum in Indonesia's manufacturing sector slowed further midway through the fourth quarter amid soft demand conditions. While output continued to increase, overall new orders were largely stagnant. There was evidence that higher prices weighed on client demand.

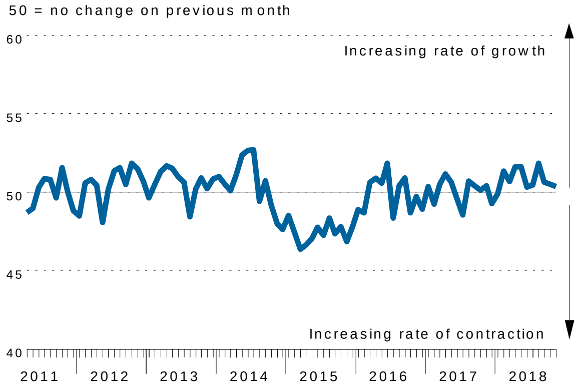
Supply chains remained stretched as weather-related disruptions and material shortages hampered distribution efforts. Weak demand saw firms holding back on buying activity. Employment also grew at a slower pace. Inflationary pressures meanwhile remained strong. That said, business confidence continued to be positive.

The headline seasonally adjusted **Nikkei Indonesia Manufacturing Purchasing Managers' Index™ (PMI™)** dipped to 50.4 in November from 50.5 in October, marking another marginal improvement in the health of the sector. The latest reading was the lowest for five months. The headline PMI provides a snapshot of the manufacturing performance in the country and derives from questions on output, new orders, employment, inventories and delivery times.

November survey data highlighted a combination of factors, including dollar strength, bad weather and supply shortages, affecting manufacturing activity across Indonesia. There were further signs of subdued client demand, particularly from external sources. Total orders were broadly unchanged from the previous month during November, while export sales declined for the twelfth straight month.

Softer demand conditions saw firms holding back on input buying. Quantity of purchases was largely unchanged, which contributed to a decline in input inventories for the first time in five months.

Nikkei Indonesia Manufacturing PMI



Sources: IHS Markit, Nikkei

Despite muted sales, production grew further, albeit at a modest pace. However, higher output failed to add to post-production stock levels. On the contrary, stocks of finished goods fell further. Firms generally linked lower inventories to fewer sales and efforts to fulfil client orders.

Vendor performance deteriorated further, stretching the trend of delivery delays to nearly one-and-a-half years. Survey evidence suggested several factors impacted supply chains, including difficulties in sourcing materials and bad weather.

Indonesian goods producers continued to face greater cost burdens in November. While slower than October's recent record, the rate of input price inflation remained sharp, and was often linked by panellists to a strong dollar and supply shortages. Seeking to protect margins, firms raised their output charges further.

Finally, business confidence towards future output in the year ahead remained positive. Reasons for optimism included new product launches, capital investment, higher sales projections and promotional activities.

Comment:

Commenting on the Indonesian Manufacturing PMI survey data, **Bernard Aw,** Principal Economist at IHS Markit, which compiles the survey, said**:**

"Indonesia's manufacturing sector lost further momentum in the middle of the fourth quarter, according to the latest Nikkei PMI survey, setting the scene for its weakest quarterly performance this year.

"The near-term outlook continued to darken as the survey brought further signs of soft demand conditions. New order inflows were broadly stagnant, with export sales remaining in decline. Firms also held back on input buying, which contributed to a fall in purchased inventories for the first time in five months. Longer-term prospects remained more promising, with firms generally expecting higher output in the year ahead.

"Strong inflationary pressures remained a key concern as firms grappled with rising input costs amid softer demand. The dollar strength, increased global commodity prices and weather-related supply shortages all contributed to inflation."

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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.

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For further information, please contact:

IHS Markit (About PMI and its comment)

Bernard Aw, Principal Economist
Telephone +65 6922 4226
E-mail bernard.aw@ihsmarkit.com

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

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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. To learn more go to https://ihsmarkit.com/products/pmi.html.