

News Release

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S&P Global Indonesia Manufacturing PMI[®]

Operating conditions worsen in July

Key findings

Modest contractions in output and new orders recorded

Slight drop in employment signalled

Input cost inflation slows to three-month low

July's survey of Indonesian manufacturing firms revealed a marginal deterioration in the health of the goods producing sector. Output and new orders both declined modestly, whilst firms chose to cut staff numbers for a third time in the past four months. Supply constraints were noted as a factor limiting activity, although confidence towards future output improved to its highest level since February. Meanwhile, input price inflation softened but output charges rose at a stronger pace.

Posting 49.3 in July, down from 50.7, the headline seasonally adjusted S&P Global Indonesia Manufacturing Purchasing Manager's Index™ (PMI[®]) slipped below the crucial 50.0 no-change mark to signal a decline in manufacturing operating conditions. Although indicative of only a marginal contraction, it was the first time that the PMI has slipped into negative territory since August 2021.

The decline in the PMI reflected concurrent modest falls in output and new orders. Panellists reported that market demand was sluggish and was the principal factor pushing sales down for the first time in over a year. New export sales declined, albeit to a lesser extent, although this in part reflected delays in shipping.

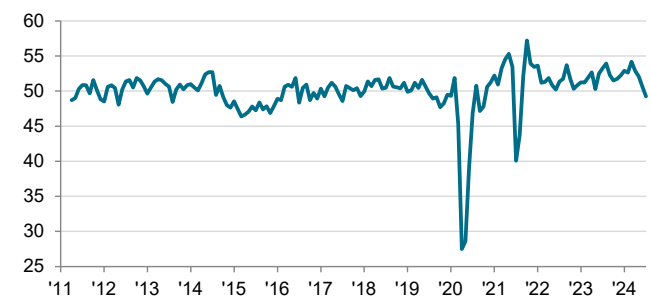
Indeed, supply-side constraints were also noted as a limiting factor on production capabilities in July, with delays in input deliveries noted. Latest survey data showed that average lead times lengthened for the first time in three months. There were reports from panellists of ongoing challenges on key shipping routes such as through the Red Sea.

There was some evidence that, despite a reduction in production overall, the manufacturing sector continued to generate excess output in July. Inventories of finished goods rose solidly, and for the fifth time in the past six months. Firms were also able to keep on top of work outstanding, which declined slightly for the second successive month.

Manufacturers chose to slightly reduce their purchasing

S&P Global Indonesia Manufacturing PMI

sa, >50 = growth since previous month



Source: S&P Global PMI.
Data were collected 11-24 July 2024.

Comment

Paul Smith Economics Director at S&P Global Market Intelligence, said:

"A general market slowdown underpinned a marginal deterioration in operating conditions during July, with new orders declining and production down for the first time in over two years. Caution was therefore exercised by manufacturers, with purchasing activity cut slightly and employment dropping at the fastest rate since September 2021. Supply-side constraints added to firms' woes, with average lead times lengthening on the back of ongoing maritime shipping challenges.

"There is some hope however that growth will return soon, with firms at their most confident since February amid hopes that sales and market conditions will pick up over the year ahead."

PMI[®]

by S&P Global

activity in July, marking the first reduction since August 2021. Staffing volumes were also cut, with the reduction the steepest for nearly three years. There were many reports of the non-renewal of expiring employee contracts.

Input price inflation meanwhile eased in July, though remained elevated. A general uplift in raw material prices, combined with unfavourable exchange rate movements, underpinned cost inflation in the latest survey period. Manufacturers responded by raising their own charges to the greatest degree for three months.

Finally, looking ahead to the coming 12 months, confidence in the future improved to its highest level since February. Firms are confident of an improvement in sales volumes and a strengthening of market conditions over the next year.

Indonesia Manufacturing PMI Employment Index

sa, >50 = growth since previous month



Source: S&P Global PMI.

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Survey methodology

The S&P Global Indonesia Manufacturing PMI® is compiled by S&P Global from responses to 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. Data collection began in April 2011.

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.

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

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