### **News Release**

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# S&P Global Indonesia Manufacturing PMI®

## Downturn of manufacturing economy intensifies in August

## **Key findings**

Quicker falls in both output and new orders

Further decline in employment

Cost inflation down to ten-month low

Indonesia's manufacturing economy experienced a further deterioration in performance during August. Output and new orders both fell at steeper rates, whilst a marginal reduction in headcounts was recorded. Confidence in the outlook nonetheless remained positive, despite easing since July, whilst input price inflation softened to its lowest level for ten months.

The headline seasonally adjusted S&P Global Indonesia Manufacturing Purchasing Manager's Index™ (PMI®) posted below the crucial 50.0 no-change mark for a second successive month in August. Moreover, slipping to 48.9, from 49.3 in July, the PMI signalled the steepest deterioration in operating conditions for three years.

Concurrent falls in both manufacturing production and new orders were signalled in August. In each case, rates of contraction were the steepest since August 2021. Panellists reported that market demand was softer compared to July and the primary factor pushing new orders lower. The decline in foreign orders also quickened, reaching the steepest since January 2023. Apart from weaker export demand in general, some panellists reported that global shipping challenges were weighing on sales.

Weakness in production and new orders led to some job shedding at Indonesian manufacturing plants. Overall, headcounts were down for a second month in a row, albeit only marginally. There were reports of the non-replacement of leavers or enacting temporary layoffs given present softness in sales and production. Firms were also able to comfortably keep on top of workloads, as evidenced by a drop in backlogs of work for a third month in a row.

Companies also chose to reduce their purchasing activity slightly in August, instead preferring to utilise inventories wherever possible. This meant that input stocks declined for the first time in a year-and-a-half and to the greatest degree since August 2021. In contrast and reflecting in part some

#### S&P Global Indonesia Manufacturing PMI

sa, >50 = growth since previous month

60
55
50
45
40
35

Source: S&P Global PMI.
Data were collected 12-22 August 2024.

#### Comment

30 25

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

'12 '13 '14 '15 '16 '17 '18 '19 '20 '21 '22 '23 '24

"The downturn in Indonesia's manufacturing economy intensified during August, characterised by the steepest falls in both new orders and output for three years. Unsurprisingly, firms responded by cutting headcounts, although many were keen to note these were temporary in nature. This likely reflects some confidence that operating conditions will improve, and confidence overall remains positive despite softening a little since July.

"Amid some reports of ongoing global shipping challenges, input prices are still increasing to an elevated degree although inflation continued to steadily soften, reaching a ten-month low in August."

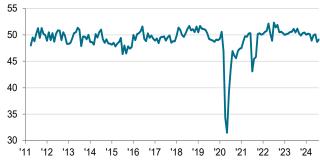
surprise amongst manufacturers of the weakness of sales, stocks of finished goods rose for a second month running.

Challenges in shipping logistics were also reported as a factor weighing on supplier performance. With stock shortages at vendors also signalled, average lead times subsequently lengthened for a second month in a row and to the greatest degree since May 2022. Supply-side constraints helped to explain why raw material prices continued to increase. With unfavourable exchange rate factors driving up the price of imported goods, overall input price inflation remained marked, despite easing to its lowest level since October 2023. Firms continued to raise their own output charges modestly, extending the current period of inflation to 14 months.

Finally, looking ahead to the coming year, manufacturers remain confident overall that production will increase from present levels, albeit to a slightly lesser degree than in July. Panellists are hopeful that the economic environment will become more stable and lead to higher production and new orders in a year's time.

#### 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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We are widely sought after by many of the world's leading organizations to provide credit ratings, benchmarks, analytics and workflow solutions in the global capital, commodity and automotive markets. With every one of our offerings, we help the world's leading organizations plan for tomorrow, today.

#### About PMI

Purchasing Managers' Index™ (PMI<sup>®</sup>) 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. <a href="https://www.spglobal.com/marketintelligence/en/mi/products/pmi">www.spglobal.com/marketintelligence/en/mi/products/pmi</a>

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