

News Release

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S&P Global Indonesia Manufacturing PMI[®]

PMI remains inside negative territory during November

Key findings

New orders down again, but output rises

Job losses recorded in November

Confidence in the outlook strengthens

Operating conditions in Indonesia's manufacturing economy continued to soften during November, in line with the recent trend. New orders fell for a fifth month in a row, whilst employment declined. More positive, however, was an increase in production for the first time in five months, and stocks were bolstered in line with expectations of growth in the year ahead. Confidence in the outlook improved to a nine-month high.

The headline seasonally adjusted S&P Global Indonesia Manufacturing Purchasing Manager's Index™ (PMI[®]) posted below the crucial 50.0 no-change mark that separates growth from contraction for a fifth successive month. However, a rise in the index to 49.6 in November, from 49.2 in October, signalled the slowest deterioration in operating conditions in the current sequence.

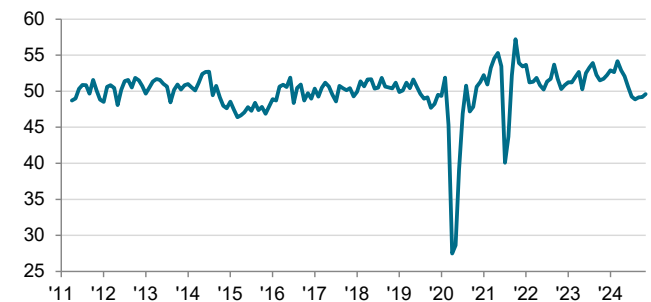
Central to the rise in the PMI during November was an expansion in production for the first time in five months. Growth occurred despite a reduction in new orders where firms noted that demand for goods remained underwhelming. Panellists continued to report quiet market activity, characterised by weak purchasing power amongst clients. New export orders declined as well, falling for a ninth successive month and to a stronger degree.

With output rising, but new orders down, excess production was used to help clear work outstanding and build warehouse inventories. Backlogs of work have now declined for six successive months, albeit only marginally in November. Stocks of finished goods increased at a faster rate, with modest growth helping firms to prepare for expected higher sales in the months ahead. Confidence in the outlook indeed strengthened, rising to its highest level since February 2024. Companies are hopeful of a pick-up in demand and new orders over the next year, which should bolster production.

Purchasing activity also improved during November, increasing for the first time in five months. The rate of growth

S&P Global Indonesia Manufacturing PMI

sa, >50 = growth since previous month



Source: S&P Global PMI.

Data were collected 12-22 November 2024.

Comment

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

"November's survey data was a mixed bag when assessing the health of the Indonesian manufacturing economy. On the one hand, an upturn in output was most welcome, as firms bolstered production to boost inventories and clear work outstanding ahead of an expected increase in sales and demand in the coming year.

"But less positive was the continued underwhelming performance of sales, which fell for a fifth successive month during November. This led firms to remain cautious when considering employment numbers, choosing not to replace leavers at their plants or, in some case, invoke redundancies.

"Demand ultimately holds the key to the future performance of the sector. Without a pick-up in sales, which remains far from given despite firms' optimism, the subdued performance of the sector will inevitably persist for the foreseeable future."

PMI[®]

by S&P Global

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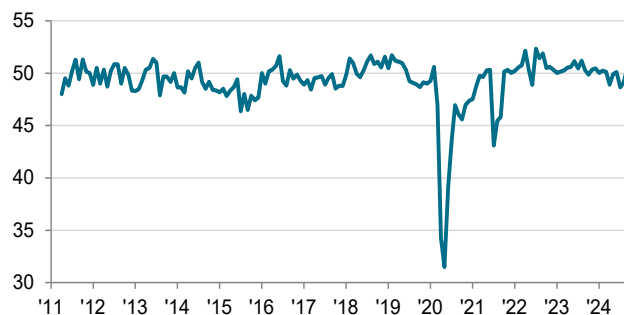
was solid as firms sought to support higher current output and build stocks of inputs in line with positive projections for growth. Firms also noted that deliveries of inputs were slightly faster during October.

Less positive was a second successive monthly decline in employment volumes. Although modest, the contraction was the steepest recorded by the survey in over three years. Companies reported the non-replacement of leavers and, in some cases, forced redundancies.

Finally, input price inflation edged higher in November, though remained below the survey average. Where prices rose, this was linked to generally higher raw material prices, with foodstuffs amongst the specific items mentioned by the panel to have increased in cost. Exchange rate factors also served to raise the price of imported goods. Firms sought to pass on higher input costs to clients by raising factory gate prices. However, the rate of inflation remained modest overall.

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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