

PROMPT MANUFACTURING INDEX (PMI) BANK INDONESIA



QUARTER IV - 2022

MANUFACTURING INDUSTRY PERFORMANCE REMAINS SOLID

Manufacturing Performance

The latest Prompt Manufacturing Index-Bank Indonesia (PMI-BI) reading in the fourth quarter of 2022 remained solid and in an expansionary phase (>100%) at 50.06%, despite retreating from 53.71% in the previous period. Most PMI-BI components are recorded in the expansionary territory in the reporting period, particularly order volume, inventory and production volume. By subsector, the Cement and Non-Metallic Mineral Products subsector, Textiles, Leather and Footwear subsector, Transportation Equipment, Machinery and Apparatus subsector, Paper and Printing subsector, as well as the Food, Beverages and Tobacco subsector recorded expansion. The PMI-BI trend is consistent with the latest Manufacturing Industry findings presented in the Business Survey (SKDU) published by Bank Indonesia, where the corresponding Weighted Net Balance (WNB) was recorded at 1.04%.

Business Optimism

Survey respondents expect Manufacturing Industry performance to improve in the first quarter of 2023, with the PMI-BI increasing to 53.30% from 50.06%. Respondents predict all PMI-BI components to improve/increase, led by production volume, order volume and inventory. Furthermore, respondents anticipate all Manufacturing Industry subsectors in an expansionary phase, with the Textile, Leather and Footwear subsector recording the highest index. Meanwhile, the PMI-BI readings for Wood Products and Other Forest Products; Fertilisers, Chemicals and Rubber Products; as well as Basic Iron and Steel are forecast to increase.

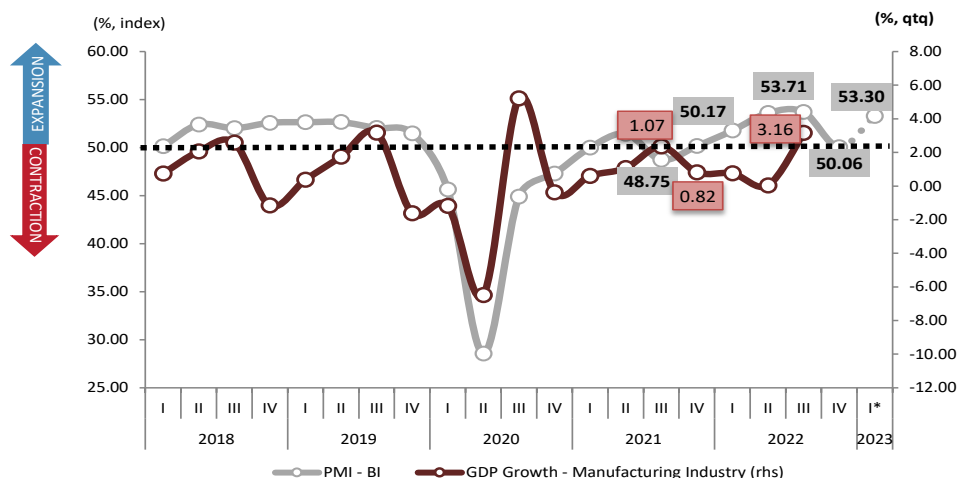
Prompt Manufacturing Index – Bank Indonesia

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The PMI-BI reading in the fourth quarter of 2022 indicates solid Manufacturing Industry performance, remaining in an expansionary phase. The PMI-BI index stood at 50.06% in the fourth quarter of 2022, which is still in expansionary territory (index >50), down from 53.71% in the third quarter of 2022 (Graph 1).

Graph 1

Prompt Manufacturing Index (PMI) – BI and Quarterly Growth of Manufacturing Industry GDP

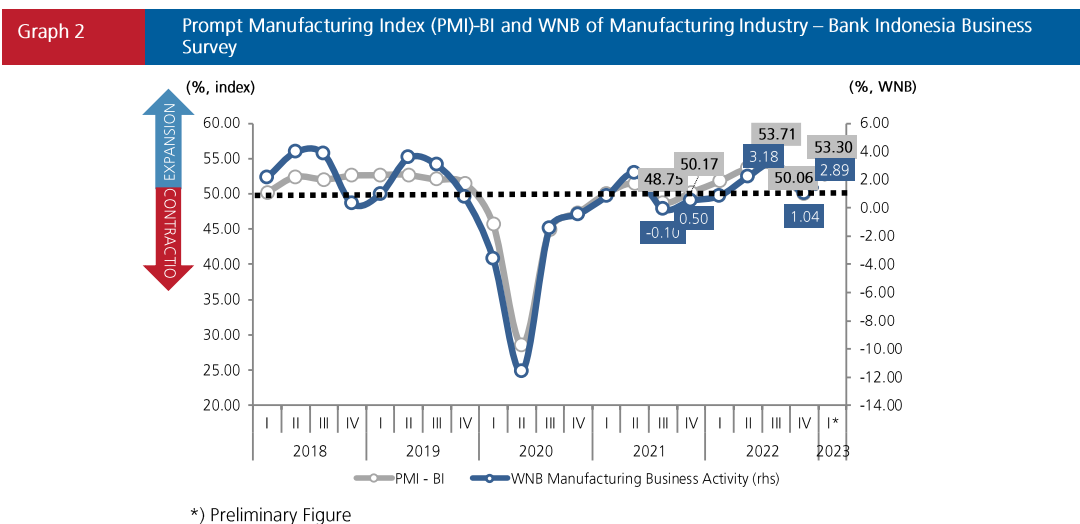


*) Preliminary Figure

The latest PMI-BI is consistent with the current Manufacturing Industry trend as reported in the Business Survey (SKDU).

The PMI-BI is consistent with the findings published in the latest Business Survey¹, which indicated moderation in the Manufacturing Industry based on a decrease in the Weighted Net Balance (WNB) to 1.04% in the fourth quarter of 2022 from 3.18% in the third quarter of 2022 (Graph 2).

Looking ahead, respondents predict improving Manufacturing Industry performance in the first quarter of 2023, as reflected by a higher PMI-BI of 53.30% compared to 50.06% in the previous period. This trend is also consistent with the latest Business Survey, where respondents forecast an increase in the WNB to 2.89% in the first quarter of 2023 from 1.04% in the fourth quarter of 2022 (Graph 2).



PMI-BI Components

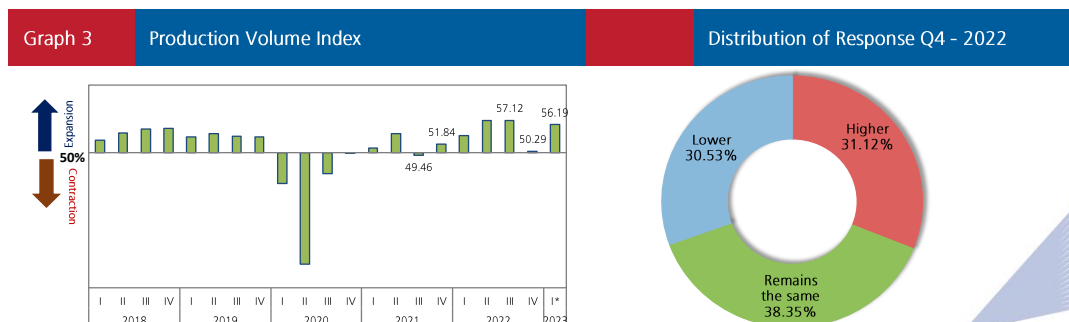
Most components contributed to the lower PMI-BI in the fourth quarter of 2022.

Most components contributed to PMI-BI expansion in the fourth quarter of 2022, particularly Order Volume of Input Goods, Inventory Volume, and Production Volume. Meanwhile, Supplier Delivery Time and Employment Level recorded declines and were below the threshold.

A. Production Volume

In the fourth quarter of 2022, the Production Volume Index remained in expansionary territory despite decreasing to 50.29% from 57.12% in the previous period. Production volume slowed in several subsectors, particularly Food, Beverages and Tobacco, Cement and Non-Metallic Mineral Products, Transportation Equipment, Machinery and Apparatus, as well as Paper and Printing. Meanwhile, Wood Products and Other Forest Products, Fertilisers, Chemicals and Rubber Products, as well as Basic Iron and Steel recorded lower index readings in a contractionary phase.

In the first quarter of 2023, respondents predict an increase in the Production Volume Index to 56.19% in line with expectations of higher demand, supported by storage capacity and the availability of production facilities (Graph 3). All subsectors are expected in an expansionary phase, led by Basic Iron and Steel, Paper and Printing, as well as Textiles, Leather Products and Footwear.

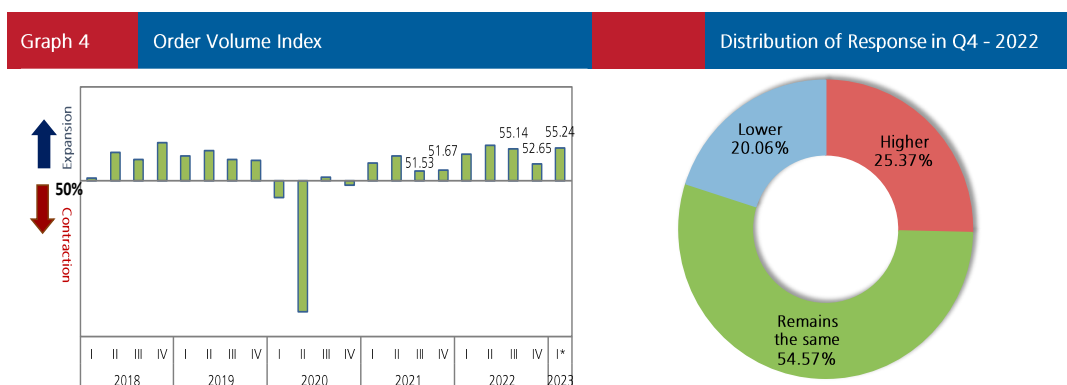


¹ The Business Survey (SKDI) is available via the link: <https://www.bi.go.id/en/publikasi/laporan/default.aspx>

B. Order Volume of Input Goods

The Order Volume Index remained above the 50-point threshold in an expansionary phase at 52.65%, moderated from 55.14% in the previous period. Respondents reported a lower index across several subsectors, primarily Basic Iron and Steel, Paper and Printing, as well as Food, Beverages and Tobacco. Meanwhile, Wood Products and Other Forest Products as well as Fertilisers, Chemicals and Rubber Products recorded a lower Order Volume Index at a contractionary level.

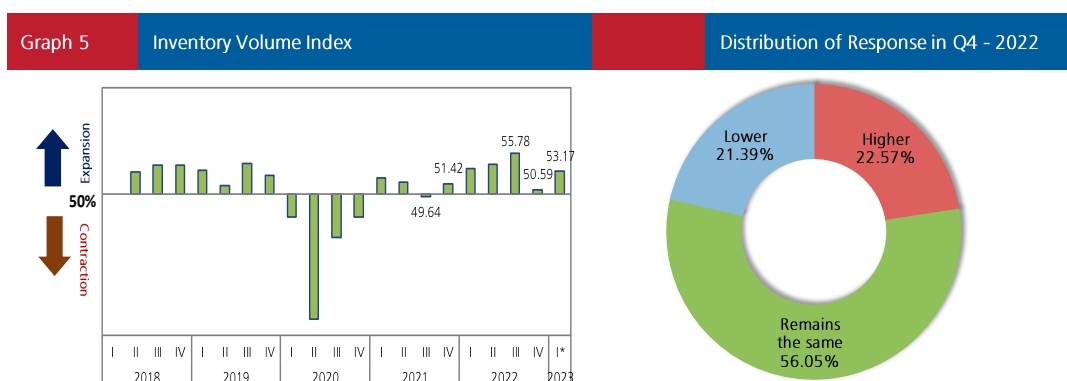
In the first quarter of 2023, respondents predict a higher Order Volume Index of 55.24% (Graph 4), with all subsectors occupying expansionary territory, led by Wood Products and Other Forest Products, Fertilisers, Chemicals and Rubber Products, as well as Basic Iron and Steel.



C. Inventory Volume

In line with production volume, moderation in the Inventory Index was observed in the fourth quarter of 2022 to a level of 50.59%, thereby remaining above the 50-point threshold yet decreasing from 55.78% in the third quarter of 2022. Respondents confirmed a moderating trend in the Food, Beverages and Tobacco subsector, along with Cement and Non-Metallic Mineral Products, while the Inventory Index for Paper and Printing, Wood Products and Other Forest Products, Basic Iron and Steel as well as Fertilisers, Chemicals and Rubber Products declined below the threshold.

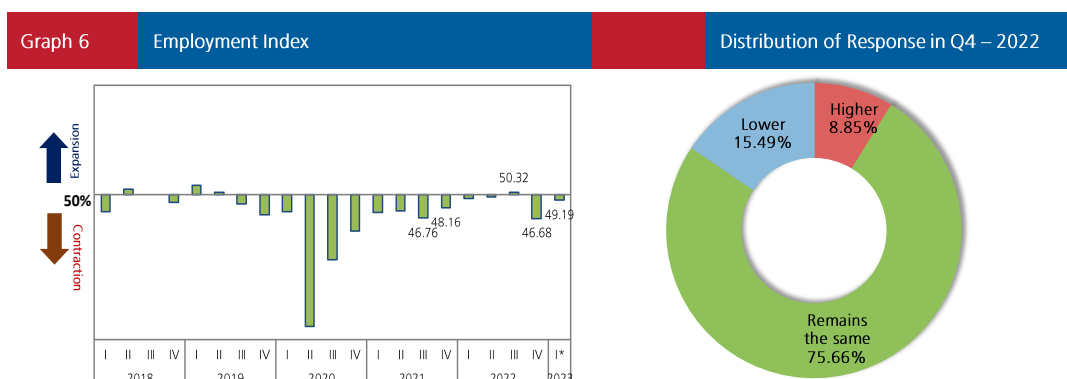
Meanwhile, respondents predict an upswing in the Inventory Index in the first quarter of 2023 to reach 53.17% in line with higher expectations concerning Production Volume (Graph 5). The improvement will be driven by most subsectors, with the highest expansionary index readings expected for Paper and Printing, Basic Iron and Steel as well as Fertilisers, Chemicals and Rubber Products.



D. Employment Level

Employment level slipped below the 50-point threshold in the fourth quarter of 2022, recording a contractionary reading of 46.68% compared with 50.32% in the previous period. The employment level was edged downwards by most subsectors except Cement and Non-Metallic Mineral Products as well as Paper and Printing, which moderated yet remained in an expansionary phase.

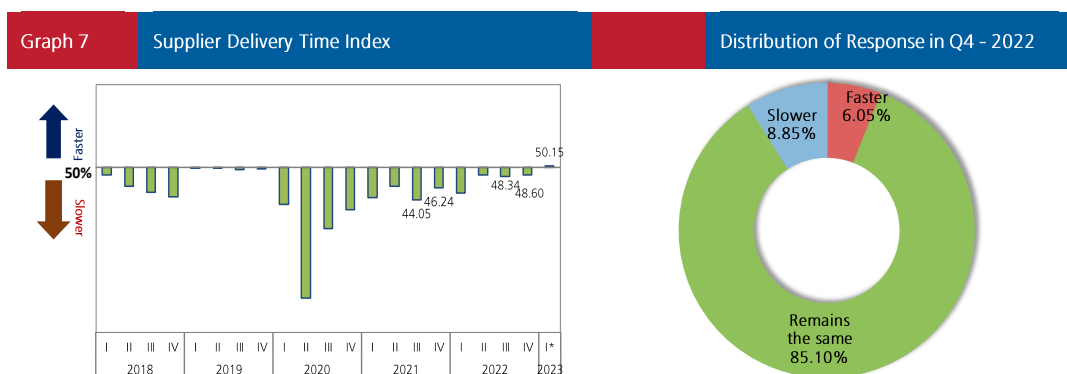
Despite improving in line with increasing production activity, respondents expect employment level in the Manufacturing Industry to remain in contractionary territory in the first quarter of 2023 with an Employment Index reading of 49.19% (Graph 6). Improvements are predicted across all subsectors except Paper and Printing as well as Cement and Non-Metallic Mineral Products, where moderation is anticipated in an expansionary phase.



E. Supplier Delivery Time Index

Improving from 48.34% in the third quarter of 2022 to 48.60% in the fourth quarter of 2022, the Supplier Delivery Time Index remained below the threshold in a contractionary phase (Graph 7). An improvement was recorded in the Fertilisers, Chemicals and Rubber Products subsector, though remaining in a contractionary phase. Meanwhile, increases were mainly reported in the Paper and Printing subsector, along with Transportation Equipment, Machinery and Apparatus as well as Textiles, Leather Products and Footwear, which were above the threshold.

In the first quarter of 2023, respondents expect the Supplier Delivery Time Index to rebound above the threshold to a level of 50.15%, with broad-based gains predicted across most subsectors, led by Basic Iron and Steel as well as Cement and Non-Metallic Mineral Products, accompanied by stable index readings for Paper and Printing as well as Transportation Equipment, Machinery and Apparatus.



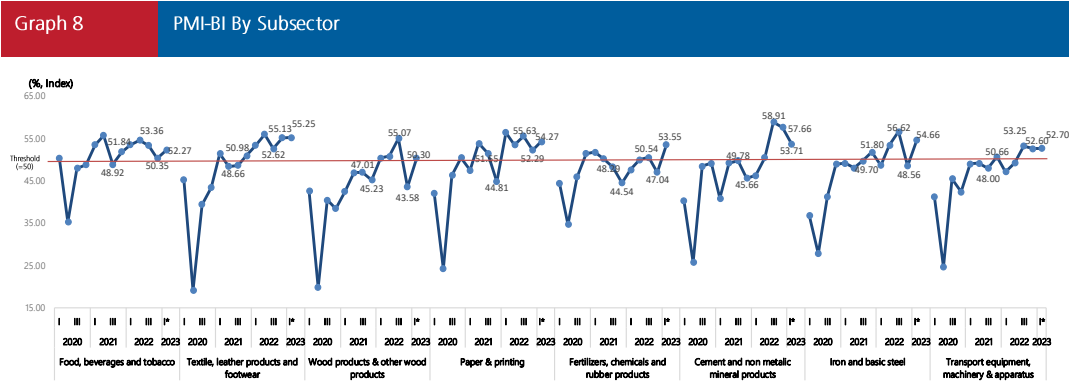
PMI – BI By Subsector

Several subsectors indicated moderation in the fourth quarter of 2022.

Despite remaining in expansionary territory, several subsectors indicated moderation in the fourth quarter of 2022, namely Paper and Printing (52.29%), Food, Beverages and Tobacco (50.35%), Cement and Non-Metallic Mineral Products (57.66%), as well as Transportation Equipment, Machinery and Apparatus (52.60%). Meanwhile, several other sectors declined into a contractionary phase, namely Wood Products and Other Forest Products (43.58%), Basic Iron and Steel (48.56%), as well as Fertilisers, Chemicals and Rubber Products (47.04%). On the other hand, Textiles, Leather Products and Footwear was the only manufacturing subsector that recorded a higher PMI-BI in the reporting period, increasing to 55.13% from 52.62% in the third quarter of 2022.

Respondents predict all manufacturing subsectors to occupy expansionary territory in the first quarter of 2023.

Respondents predict all manufacturing subsectors to occupy expansionary territory in the first quarter of 2023, led by Textiles, Leather Products and Footwear (55.25%), followed by Basic Iron and Steel (54.66%), Paper and Printing (54.27%), as well as Fertilisers, Chemicals and Rubber Products (53.55%).



*) Preliminary Figure

Table 1 Prompt Manufacturing Index – BI
(% Index)

Periode		Component					PMI - BI
		Production Volume	Order Volume	Speed of Supplier Delivery Time	Inventory	Labour	
2017	I	47.70	48.17	48.31	49.16	48.62	47.93
	II	57.53	48.23	49.41	50.74	51.70	51.68
	III	54.78	49.79	49.07	48.64	48.29	50.51
	IV	49.36	48.94	48.73	48.30	47.95	48.75
2018	I	52.71	50.50	48.57	50.00	47.64	50.14
	II	54.39	54.57	46.57	53.15	50.67	52.40
	III	55.18	53.37	45.37	54.10	50.00	52.02
	IV	55.42	56.17	44.58	54.03	48.92	52.58
2019	I	53.49	54.04	49.94	53.29	51.22	52.65
	II	54.19	54.88	49.89	51.13	50.28	52.66
	III	53.64	53.48	49.50	54.27	48.68	52.04
	IV	53.42	53.27	49.71	52.56	47.23	51.50
2020	I	43.10	47.28	43.22	46.69	47.63	45.64
	II	25.36	28.95	26.16	32.28	31.84	28.55
	III	45.35	50.55	38.75	43.87	41.03	44.91
	IV	49.94	49.33	42.27	46.78	44.95	47.29
2021	I	50.94	52.89	44.51	52.24	47.54	50.01
	II	54.20	54.03	46.57	51.63	47.68	51.45
	III	49.46	51.53	44.05	49.64	46.76	48.75
	IV	51.84	51.67	46.24	51.42	48.16	50.17
2022	I	53.81	54.33	45.22	53.59	49.40	51.77
	II	57.05	55.72	48.59	54.23	49.61	53.61
	III	57.12	55.14	48.34	55.78	50.32	53.71
	IV	50.29	52.65	48.60	50.59	46.68	50.06
2023	I*	56.19	55.24	50.15	53.17	49.19	53.30

*) Preliminary Figure

Table 2 Prompt Manufacturing Index – BI by Subsector
(% Index)

Subsector	2018				2019				2020				2021				2022				2023
	I	II	III	IV	I	II	III	IV	I	II	III	IV	I	II	III	IV	I	II	III	IV*	I*
Food, beverages and tobacco	48.95	62.13	55.22	62.74	52.19	54.95	52.35	52.47	50.44	35.30	48.00	48.83	53.55	55.74	48.92	51.84	53.47	54.60	53.36	50.35	52.27
Textile, leather products and footwear	53.24	55.46	51.94	60.22	49.42	50.95	50.53	49.71	45.19	19.10	39.43	43.45	51.43	48.36	48.66	50.98	53.29	56.05	52.62	55.13	55.25
Wood products & other wood products	53.03	55.53	52.08	53.18	47.61	45.97	48.51	50.36	42.59	19.75	40.49	38.39	42.47	46.97	47.01	45.23	50.44	50.84	55.07	43.58	50.30
Paper & printing	48.55	55.89	60.54	53.50	54.06	52.75	54.34	49.01	42.03	24.11	46.37	50.50	47.50	53.88	51.55	44.81	56.36	53.50	55.63	52.29	54.27
Fertilizers, chemicals and rubber products	50.89	55.40	53.18	51.75	49.88	53.34	55.84	51.48	44.48	34.71	45.88	51.44	51.83	50.24	48.29	44.54	47.63	50.00	50.54	47.04	53.55
Cement and non metallic mineral products	47.03	50.44	52.68	56.77	50.53	47.49	53.19	57.43	40.26	25.76	48.49	49.17	40.90	49.24	49.78	45.66	46.29	50.44	58.91	57.66	53.71
Iron and basic steel	55.38	54.41	54.25	54.43	43.94	48.70	50.05	50.53	36.89	27.81	41.32	48.99	49.19	48.06	49.70	51.80	48.68	53.47	56.62	48.56	54.66
Transport equipment, machinery & apparatus	41.61	52.32	52.31	63.20	51.40	52.57	53.01	47.14	41.28	24.63	45.50	42.41	49.03	49.17	48.00	50.66	47.19	49.27	53.25	52.60	52.70

*) Preliminary Figure

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METHODOLOGY

PMI – BI is a composite indicator providing an overview of the manufacturing sector performance in Indonesia based on the BI Business Survey. PMI-BI is comprised of five other indices, namely new order volume (input), production volume (output), employment, supplier delivery times and inventories. PMI is calculated based on a pre-assessment of benchmarked Purchasing Manufacturing Indices from a number of other countries. An index reading of above 50 signals business expansion, while a reading of below 50 indicates a contraction. PMI-BI for the fourth quarter 2022 is calculated from 678 respondents in the manufacturing sector.