Embargoed until: 10:00 (Jakarta), 1 August 2012

HSBC Indonesia Manufacturing PMI™

PMI rises to nine-month high as new order growth quickens

Summary

Latest data signalled an improvement in Indonesian manufacturing sector operating conditions during July. Underpinning this was a faster rise in new orders, which in turn supported a slight expansion of output. Employment and stocks of purchases also rose, while average supplier delivery times were broadly unchanged.

The headline figure derived from the survey is the Purchasing Managers' Index™ (PMI™). Readings above 50.0 signal an improvement in business conditions on the previous month while readings below 50.0 show a deterioration. The PMI is composed of five sub-indices tracking changes in new orders, output, employment, suppliers' delivery times and stocks of purchases.

The PMI registered 51.4 in July, up from 50.2 in June. That was its highest posting since October 2011, albeit indicative of only a modest improvement in business conditions in the Indonesian manufacturing sector.

The amount of new orders placed with Indonesian manufacturers rose for a second consecutive month in July. Furthermore, the pace of expansion quickened to the fastest since October 2011. Growth of new business was primarily supported by improved domestic demand. This was highlighted by the fact that new export orders fell for the fourth month running, and at the sharpest rate since April 2011.

The rise in new work was insufficient to prevent a further reduction in the level of outstanding business at Indonesian manufacturers during July. Backlogs have decreased throughout the survey's short history, although the latest drop was weaker than that registered in the previous month.

Stronger demand for Indonesian manufactured goods encouraged firms to boost their stocks of finished goods. Post-production inventories rose, albeit at a modest rate.

Employment in the Indonesian manufacturing sector increased for a second successive month in July, albeit at a marginal pace. The majority of panellists (87%) signalled no change in staffing levels since June.

The quantity of inputs bought by Indonesian manufacturers rose in July, and at the sharpest rate in four months. This contributed to an increase in stocks of raw materials held by firms. Average delivery times from suppliers were broadly unchanged compared with one month previously.

Input prices continued to rise strongly in July, although the rate of inflation eased slightly since June. There were reports from a number of panel members of higher prices paid for general raw materials. Prices charged by Indonesian manufacturers for finished goods continued to increase. That said, the latest increase in factory gate prices was modest and the weakest since December 2011.

Comment

Commenting on the Indonesia Manufacturing PMI™ survey, Su Sian Lim, ASEAN Economist at HSBC said:

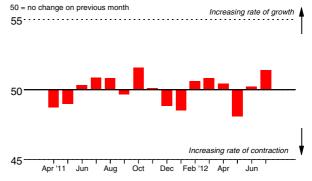
"Manufacturing activity continued to expand on the back of new orders. But the divergence between domestic and external demand is becoming more pronounced, with the contraction in new export orders worsening for yet another month. Inflationary pressures appear to have cooled a touch, judging by the easing in both input and output price indices."

Key points

- Strongest rise in new work since October 2011
- Improved domestic demand offsets sharper fall in export sales
- Production increases for first time in four months

Historical Overview

HSBC Indonesia PMI



Sources: Markit, HSBC.





For further information, please contact:

HSBC

Su Sian Lim, ASEAN Economist Telephone +65-6658-8783 Email susianlim@hsbc.com.sg

Mutiara Asmara, SVP External Communication Email mutiaraasmara@hsbc.co.id

Maya Rizano, Head of Group Communications Telephone + (62-21) 5291 5110 E-mail mayasrizano@hsbc.co.id

Markit

Jack Kennedy, Senior Economist Telephone +44-1491-461-087 Email jack.kennedy@markit.com Caroline Lumley, Corporate Communications
Telephone +44-20-7260-2047
Mobile +44-78-1581-2162
Email caroline.lumley@markit.com

Notes to Editors:

The HSBC Indonesia Manufacturing PMI is based on data compiled from monthly replies to questionnaires sent to purchasing executives in over 400 manufacturing companies. The panel is stratified geographically and by Standard Industrial Classification (SIC) group, based on industry contribution to Indonesian GDP. 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'.

The *Purchasing Managers' IndexTM (PMITM)* 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.

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.

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 Markit. Please contact economics@markit.com.

HSBC:

HSBC is one of the world's largest banking and financial services organisations. With around 7,200 offices in both established and faster-growing markets, we aim to be where the growth is, connecting customers to opportunities, enabling businesses to thrive and economies to prosper, and ultimately helping people to fulfil their hopes and realise their ambitions.

We serve around 89 million customers through our four global businesses: Retail Banking and Wealth Management, Commercial Banking, Global Banking and Markets, and Global Private Banking. Our network covers 85 countries and territories in six geographical regions: Europe, Hong Kong, Rest of Asia-Pacific, Middle East and North Africa, North America and Latin America. Our aim is to be acknowledged as the world's leading international bank.

Listed on the London, Hong Kong, New York, Paris and Bermuda stock exchanges, shares in HSBC Holdings plc are held by over 220,000 shareholders in 132 countries and territories.

About Markit:

Markit is a leading, global financial information services company with over 2,300 employees. The company provides independent data, valuations and trade processing across all asset classes in order to enhance transparency, reduce risk and improve operational efficiency. Its client base includes the most significant institutional participants in the financial market place. For more information please see www.markit.com

About PMIs:

Purchasing Managers' IndexTM (PMITM) surveys are now available for 32 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 www.markit.com/economics

The intellectual property rights to the HSBC Indonesia Manufacturing PMI™ provided herein is owned by Markit Economics Limited. Any unauthorised use, including but not limited to copying, distributing, transmitting or otherwise of any data appearing is not permitted without Markit's prior consent. Markit shall not have any liability, duty or obligation for or relating to the content or information ("data") contained herein, any errors, inaccuracies, omissions or delays in the data, or for any actions taken in reliance thereon. In no event shall Markit be liable for any special, incidental, or consequential damages, arising out of the use of the data. *Purchasing Managers' Index™* and *PMI™* are trade marks of Markit Economics Limited, HSBC use the above marks under license. Markit and the Markit logo are registered trade marks of Markit Group Limited.