

# HSBC Indonesia Manufacturing PMI™

## Production increases for third month running

### Summary

Output in the Indonesian manufacturing sector increased moderately during September. However, new order growth was the slowest in three months and new export orders continued to fall. With workforces contracting, backlogs of work were accumulated. Whereas pre-production inventories increased, stocks of finished goods were depleted. Meanwhile, input and output price inflation persisted in the latest month.

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 posted 50.5 in September, down from the reading of 51.6 in August. Although the health of the Indonesian manufacturing sector continued to improve, latest data pointed to a slowdown from the previous month.

Output increased for the third month running amid reports of stronger demand. However, the rate of expansion was only slight and slower than August's 10-month high. Order book volumes also grew at a slower pace, with panellists linking recent rises to increasing marketing and the launch of new products. The global economic downturn continued to affect Indonesian exports, with some reports of falling orders from Europe and Japan.

Workforces fell, ending a three-month sequence of job creation. That said, the pace of contraction was only slight and the vast majority (94%) of survey respondents signalled no change in employment from August. Meanwhile, the volume of work-in-hand (but not yet completed) increased, following a stagnation in August. That said, the rate of accumulation was only slight.

Whereas pre-production inventories increased, stocks of finished goods were depleted. Manufacturers in Indonesia reportedly accumulated input inventories in order to meet rising demand. Stocks of purchases increased for the third successive month, although the pace of expansion was only slight. Moreover, post-production inventories were depleted at a slight rate, ending a two-month sequence of growth.

Inflationary pressures persisted in the Indonesian goods-producing sector during August. According to panellists, input costs rose in line with increasing raw material and commodity prices. Although substantial,

the pace of inflation eased to the slowest since November 2011. Charges increased slightly, although inflation eased from the pace recorded in August. Anecdotal evidence suggested that selling prices were increased in line with rising raw material costs.

Purchasing activity increased for the third successive month. However, the rate of expansion was slower than August's five-month high.

### Comment

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

*"The September PMI suggests only a slight expansion in manufacturing activity, a marked slowdown from August's 10-month high. But there is still cause for optimism. Backlogs of work rose for the first time on record. And while employment contracted for the first time in four months, this owed to resignations rather than lay-offs. Lastly, manufacturers continue to be able to pass on higher costs to consumers, with both input and output prices still on the rise."*

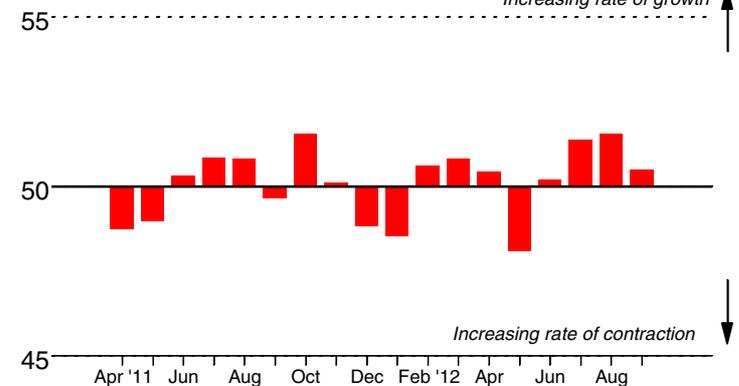
### Key points

- New orders rise at slowest rate in three months
- Sixth successive fall in new export orders recorded
- Slight contraction in workforces ends a three-month sequence of job creation

### Historical Overview

#### HSBC Indonesia PMI

50 = no change on previous month



Sources: Markit, HSBC.

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**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' Index™ (PMI™)* 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](mailto:economics@markit.com).

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*Purchasing Managers' Index™ (PMI™)* 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](http://www.markit.com/economics)

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