

HSBC Indonesia Manufacturing PMI™

Production rises at fastest rate in 12 months

Summary

Output at Indonesian manufacturing firms increased further during October. New orders and new export orders both rose. Input and output price inflation was recorded, as has been the case since the survey began in April 2011. Meanwhile, pre- and post-production inventories were accumulated. Purchasing activity also increased, and at the fastest rate in 12 months.

The seasonally adjusted Purchasing Managers' Index™ (PMI™) – a composite indicator designed to give a single-figure snapshot of operating conditions in the manufacturing economy – posted 51.9 in October, up from the reading of 50.5 in September and pointing to a further improvement in the health of the manufacturing sector. The latest data pointed to the fastest improvement recorded in the 19-month series history so far.

Production at manufacturing companies in Indonesia increased during October at the fastest rate in 12 months. With almost one-quarter of the survey panel signalling higher output, the rate of expansion was solid. According to respondents, higher order intakes led to the latest increase in production.

Order book volumes at manufacturing companies in Indonesia rose for the fifth successive month, amid reports of stronger demand and higher purchasing power. The rate of expansion was solid and the fastest since October 2011. Meanwhile, new export orders increased for the first time in seven months. However, the rate of expansion was only slight. Anecdotal evidence suggested that stronger demand from international markets and the launch of new products both contributed to the latest expansion in new export orders.

With total new business increasing, manufacturers accumulated backlogs of work during October. Some firms also reported delays in the delivery of raw materials and insufficient capacity. That said, the rate of accumulation in outstanding orders was only moderate. Meanwhile, job creation was recorded (albeit marginal) as manufacturers faced higher new order intakes and some companies planned for the launch of new products.

Input costs in the Indonesian goods-producing sector increased, amid reports of higher yarn, fabric, coal and packaging costs. Moreover, firms cited general market inflation. The rate of input price inflation was strong and accelerated from September. The burden of purchase cost inflation was passed on to clients as charges rose again. That said, the pace of output price inflation

was only slight and the slowest since December 2011.

Pre- and post-production inventories were both accumulated in October. However, rates of growth were only slight. Additionally, some companies forecast an increase in demand.

Purchasing activity increased solidly and at the fastest pace in 12 months. Meanwhile, average lead times lengthened, partially due to limited transportation and higher purchase quantities.

Comment

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

"This is the highest PMI reading in the history of the survey. It is heartening to see that manufacturing-sector expansion has picked up pace again, and that for the first time in seven months, new export orders have contributed to that. The continued rise in the backlogs of work also bodes positively for manufacturing momentum in the coming months."

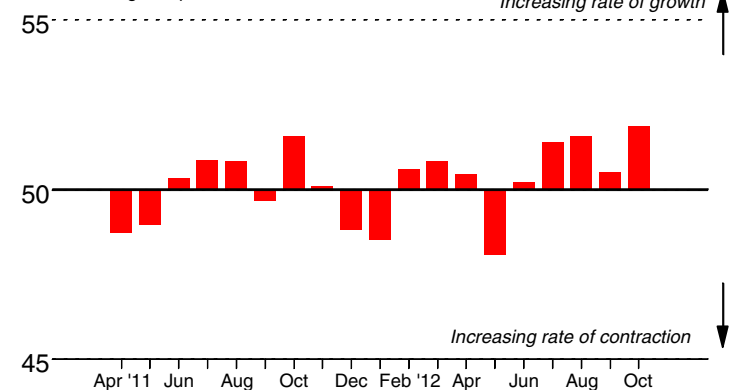
Key points

- Fifth consecutive increase in new orders
- First expansion in new export orders since March
- Workforces increase slightly

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.

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