

HSBC Indonesia Manufacturing PMI™

Output expands for fifth successive month

Summary

In line with increased volumes of incoming new work, production in the Indonesian manufacturing sector rose in November. New orders, purchase quantities and export sales all expanded at the fastest pace in the 20 months of data collection. Although fractional job losses were signalled, backlogs of work fell. Part of the burden of input cost inflation was passed on to clients, as prices charged rose again. Whereas stocks of purchases were accumulated, post-production inventories were depleted marginally.

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 51.5 in November, down slightly from October's 19-month series record. The latest reading indicated a further improvement in the health of the manufacturing sector.

Production at manufacturing companies in Indonesia increased during November for the fifth consecutive month. Output expanded moderately, and at a slower rate than that signalled in October. Anecdotal evidence suggested that production rose in line with increased order book volumes.

New orders and new export orders both increased during November. Rates of expansion were solid and the fastest throughout the 20-month series so far. Monitored companies linked the latest rise to stronger demand.

Manufacturers in Indonesia signalled increased purchasing activity during November, extending the current expansionary sequence to five months. With around 22% of monitored companies reporting higher input buying, the rate of expansion was robust and the fastest since the survey started.

Meanwhile, vendor performance in the Indonesian manufacturing sector improved during November for the first time since March. However, average lead times shortened only slightly.

In contrast to a rise recorded in October, workforces in the Indonesian manufacturing sector fell in November. That said, the rate of job losses was only fractional. According to some monitored companies, the non-replacement of staff following resignations and retirements resulted in lower employment levels.

Manufacturing firms in Indonesia registered a further increase in both input and output prices during November. Concurrent cost and charge inflation has been signalled since the survey started in April 2011. Anecdotal evidence suggested that input costs rose in line with increased raw material, flour, methanol, plastic

and metal prices. Consequently, output prices were adjusted up, though to a lesser degree than the rise in costs.

Stocks of purchases at manufacturers in Indonesia were accumulated during November, amid reports of an anticipated rise in demand. In contrast, post-production inventories were depleted, albeit at only a fractional rate.

Comment

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

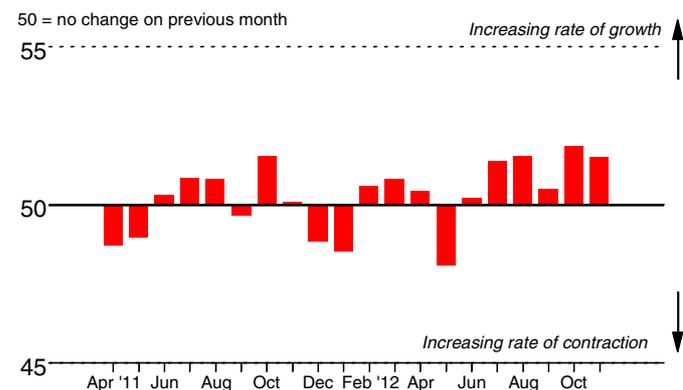
"Manufacturing activity continues to expand, supported by a record rise in new orders. Notably, new export orders also climbed to a fresh high, reflecting a recovery in demand from key Asian markets."

Key points

- Fastest increase in new orders since records began in April 2011
- New export orders grow at solid pace
- Rise in purchasing activity accelerates to fastest in series history

Historical Overview

HSBC Indonesia PMI



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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