

# HSBC Indonesia Manufacturing PMI™

## Rate of output growth accelerates from November

### Summary

The headline Purchasing Managers' Index™ (PMI™) – is a composite indicator designed to give a single-figure snapshot of operating conditions in the manufacturing economy. Readings above 50.0 indicate expansion and readings below 50.0 signal contraction. After adjusting for seasonal factors, the index posted 50.7 in December, down from the reading of 51.5 in November to signal a further improvement in the health of the manufacturing sector.

Production in the Indonesian manufacturing sector increased in December, amid reports of stronger demand. Although moderate, the rate of expansion accelerated from November. Growth has now been sustained for six successive months.

New orders and new export orders both increased, with rates of expansion moderate and slight respectively. New work intakes rose for the seventh successive month, but at the slowest pace since September. Meanwhile, the rate of growth in new export orders was the slowest in the current three-month expansionary sequence. Anecdotal evidence suggested that new export orders increased in tandem with higher demand from Asian, African and European markets.

Staffing levels in the Indonesian manufacturing sector fell for the second consecutive month during December. Although moderate, the rate of job losses accelerated to the fastest in 20 months. According to monitored companies, the non replacement of resignations and retired staff resulted in lower employment levels. Subsequently, backlogs of work were accumulated, albeit only slightly.

As has been the case since the survey started in April 2011, both input and output prices at manufacturing companies in Indonesia increased. Input costs rose solidly, and at a broadly similar pace to that recorded in November. Panellists cited higher raw material, plastic, paper, thread and chemical costs. Meanwhile, charges rose only moderately.

Purchasing activity in the Indonesian goods-producing sector increased in December, marking a six-month sequence of expansion. With one-fifth of monitored companies indicating higher input buying but 15% noting a decline, the overall pace of growth was only slight.

Meanwhile, stocks of finished goods were accumulated, amid reports of anticipated rises in demand. However, post-production inventories increased only modestly. In contrast, stocks of purchases were depleted slightly.

### Comment

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

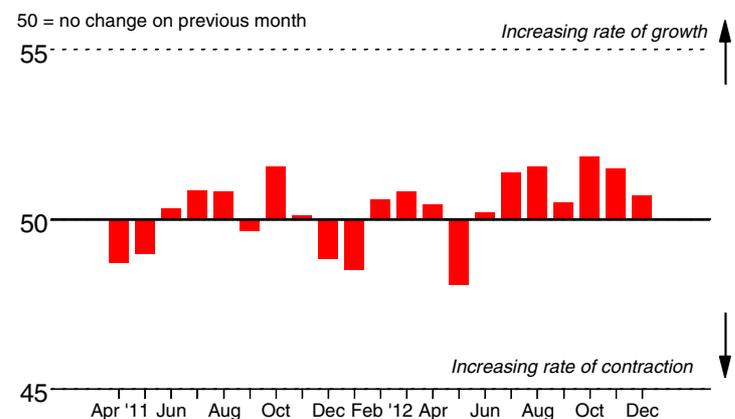
*“The readings in this month’s PMI survey are somewhat more muted than previously. Nonetheless the components continue to trend well. Manufacturing activity has been expanding now for seven straight months, and, in a positive indication of demand from Asian, European and African markets, new export orders have risen for three consecutive months. The increase in backlogs of work suggests that the sector will continue to be kept busy in the coming months.”*

### Key points

- Seventh successive monthly rise in new orders
- Expansion in new export orders eases from November
- Employment contracts at fastest pace in 20 months

### 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](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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