

# HSBC Indonesia Manufacturing PMI™

## Output contracts for first time in seven months

### 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 improvement and readings below 50.0 signal deterioration. After adjusting for seasonal factors, the index posted 49.7 in January, down from 50.7 in December. The latest reading indicated the first deterioration in the health of the manufacturing sector recorded since May 2012, albeit only fractional.

Output in the Indonesian goods-producing sector fell in January for the first time in seven months, but only at a slight pace. Among other factors, anecdotal evidence suggested that a scarcity of raw materials had hampered production.

The volume of incoming new work rose for the eighth consecutive month, but only fractionally and at the joint-weakest pace in the current sequence. New export orders continued to expand, with growth quickening to a moderate pace. Panel members mentioned that demand from export clients had strengthened.

Payroll numbers contracted for the third month running, amid reports of the non-replacement of employee resignations and retirements. However, the overall rate of job losses was only modest, and unchanged from December.

In line with falling staffing levels, backlogs of work were accumulated during January. With almost 20% of monitored companies reporting higher volumes of work-in-hand (but not yet completed) and 11% noting a fall, the overall rate of increase was solid and the fastest recorded in the 22 months of data collection.

As has been the case since the survey started in April 2011, input and output prices both increased during January. The rate of cost inflation comfortably exceeded that of charges.

Pre-production inventories at manufacturers in Indonesia contracted solidly during January. Data implied that stocks of purchases fell in tandem with a scarcity of raw materials. Post-production inventories also decreased, but the rate of depletion was only slight.

Meanwhile, a six-month sequence of rising input buying ended during January, as a slight contraction was recorded. Unfavourable exchange rates and a shortage of raw materials fed through to the latest decrease in the quantity of purchases.

### Comment

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

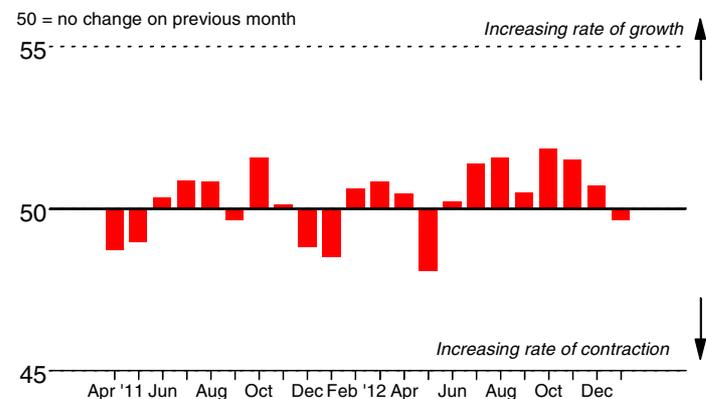
*“Strong export orders appear to have offset a moderation in domestic orders, which may have been partially impacted by the Jakarta floods. The jump in input prices is somewhat more disconcerting. Price pressures were already high even though the survey captured responses only up to 23<sup>rd</sup> of January. This suggests that the February survey could reveal even greater inflationary pressure, as the impact of the flood will be fully reflected.”*

### Key points

- New orders rise only fractionally
- Slight growth in new export orders
- Input and output price inflation accelerate

### 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](mailto:susianlim@hsbc.com.sg)

Maya Rizano, Head of Group Communications  
Telephone + (62-21) 5291 5110  
E-mail [mayarizano@hsbc.co.id](mailto:mayarizano@hsbc.co.id)

Mutiara Asmara, SVP External Communication  
Telephone + (62-21) 5291 5385  
Mobile + (62-87) 887570128  
Email [mutiaraasmara@hsbc.co.id](mailto:mutiaraasmara@hsbc.co.id)

## **Markit**

Pollyanna De Lima, Economist  
Telephone +44-1491-461-075  
Email [pollyanna.delima@markit.com](mailto:pollyanna.delima@markit.com)

Caroline Lumley, Corporate Communications  
Telephone +44-20-7260-2047  
Mobile +44-78-1581-2162  
Email [caroline.lumley@markit.com](mailto: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' 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).

## **HSBC:**

HSBC is one of the world's largest banking and financial services organisations. With around 6,900 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 60 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 84 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 221,000 shareholders in 134 countries and territories.

### **About Markit:**

Markit is a leading, global financial information services company with over 2,800 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](http://www.markit.com)

### **About PMIs:**

*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)

**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.**