HSBC Purchasing Managers' Index™ Press Release

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HSBC Indonesia Manufacturing PMI™

Indonesian manufacturing output stagnates as export orders slide

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. The seasonally adjusted index edged back above the no-change mark of 50.0 during February, posting 50.5 (up from 49.7 in January). The latest reading indicated an improvement in the health of the manufacturing sector, albeit only slight.

Firms operating in the Indonesian goods-producing sector indicated no-change in output during February. Of those respondents signalling increased production, this was linked to higher levels of new orders. However, the floods resulted in delayed delivery of raw materials and some firms were unable to fully meet demand requirements.

The volume of incoming new work at manufacturing companies in Indonesia increased during February, amid reports of stronger domestic demand and increased marketing. Despite rising for the ninth consecutive month, the rate of expansion in new orders was only slight. In contrast, new export orders fell, the first contraction registered since September 2012. The overall rate of decline was solid, and the fastest recorded in seven months. Over one-fifth of monitored firms indicated lower levels of export business, citing weaker demand from European and American clients.

As has been the case since November last year, staffing levels fell during February, but only slightly. Manufacturers stated that the non-replacement of staff resignations and the rise in the minimum wage both fed through to the latest decrease in payroll numbers.

A further solid rise in backlogs of work was recorded during February. Exactly 17% of panellists signalled higher levels of unfinished business, citing delayed delivery of raw materials and labour shortages.

Input price inflation persisted during February, amid reports of higher plastic, oil, electricity and labour costs. Consequently, charges were increased again. Input and output prices have risen throughout the 23-month survey history.

Manufacturers increased their input buying during February, following a decline seen in January. However, the rate of expansion was only slight. Anecdotal evidence suggested that anticipated rises in demand led to higher quantities of items purchased.

The heavy rain seen over the month resulted in a further deterioration in vendor performance. Average lead times lengthened sharply, and at the fastest rate in the series history.

Comment

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

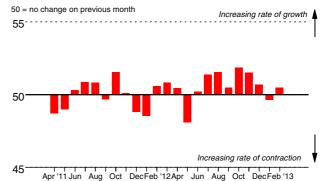
"Manufacturing activity expanded only modestly in February. But unfavourable weather – as evident in the record deterioration in suppliers' delivery times – continued to weigh. New export orders also contracted for the first time in five months, which is surprising given the gradually improving global backdrop. Nevertheless the record backlog of work suggests further expansion in manufacturing ahead. Indeed, robust demand, particularly from the domestic sector, has been consistently – and somewhat worryingly – translating into higher and higher input and output prices every month."

Key points

- Slight rise in new orders
- Export orders fall at fastest rate since July 2012
- Input and output prices both increase sharply

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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