HSBC Purchasing Managers' Index™ Press Release
Embargoed until: 10:00 (Jakarta), 1 October 2013

compiled by markit

HSBC Indonesia Manufacturing PMI™

At 50.2 in September, PMI returns to expansionary territory

Summary

The Indonesian Manufacturing PMI crawled above the neutral 50.0 threshold in September, reflecting a renewed growth of production volumes. Whereas total new orders fell at a slower pace, the contraction of export business accelerated to the fastest since February. On the price front, inflation of both input costs and output charges reached survey records.

Up from 48.5 in August to 50.2 in September, the headline HSBC *Purchasing Managers' Index™ (PMI™)* indicated a marginal improvement of business conditions in Indonesia. The above 50.0 reading reflected upward movements recorded for four of its five sub-components, the exception being delivery times (inverted).

Output in the Indonesian manufacturing sector rose for the first time in three months during September. This was reportedly achieved by firms working through their backlogs of work and successful product launches. That said, the overall rate of expansion was only marginal.

September data highlighted a second consecutive decrease of unfinished business levels. The latest decline was sharp and the quickest since January 2012. Anecdotal evidence suggested that outstanding business levels were depleted in line with lower new orders.

Despite falling for a second consecutive month, total new orders placed at Indonesian manufacturers contracted at a slight and slower pace in September. Conversely, export business decreased at a solid and accelerated rate. Panellists commented on weaker demand and a fragile economic situation globally.

Subsequently, workforce numbers were reduced further. The rate of job losses in September was, however, only fractional and eased since the previous month. While some panellists reported the non-replacement of voluntary leavers, some firms indicated that staffing levels were intentionally cut. There were a few mentions of a lack of skilled candidates at some plants.

Amid reports of a weaker currency (data were collected between 12th and 20th of September), Indonesian manufacturers paid higher prices for imported raw materials. Average input prices rose sharply in the latest month, with the rate of cost inflation reaching a survey record. Concurrently, selling prices were raised further and the overall rate of charge inflation was also the strongest in the history of the series.

Purchasing activity in the Indonesian goods-producing sector rose in September, following a contraction in the previous month.

Consequently, holdings of raw materials and semi-manufactured goods were accumulated. Anecdotal evidence suggested that restocking attempts reflected the anticipation of stronger demand in the coming months.

Comment

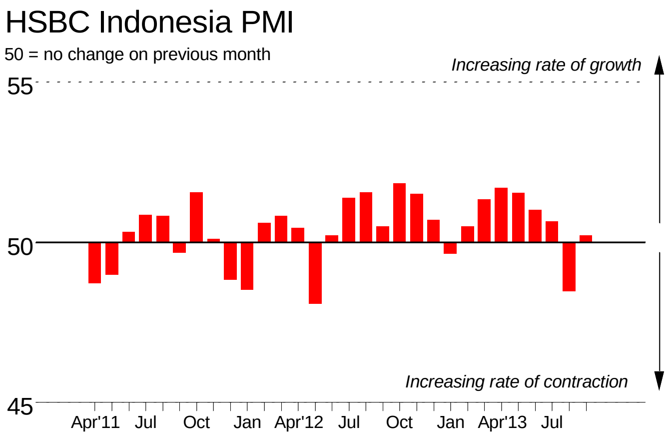
Commenting on the Indonesia Manufacturing PMI™ survey, Su Sian Lim, ASEAN Economist at HSBC said:

"Manufacturing conditions improved in September, but we remain cautious. The PMI and output indices are only marginally above 50, while new orders continued to contract, reflecting that output rose only because firms were working through their work backlogs. Going forward, cooling domestic demand on the back of tightening policies by the central bank and government is likely to mean a further slowdown for the manufacturing sector. If Indonesia's external imbalances and inflation rates are to be reined in, slower economic growth is a necessary condition."

Key points

- Output expands, while new orders fall at slower pace
- Downturn in export business accelerates
- Inflation rates reach survey-peak

Historical Overview



Sources: Markit, HSBC.

markit

HSBC

For further information, please contact:

HSBC

Su Sian Lim, ASEAN Economist
Telephone +65-6658-8783
Email susianlim@hsbc.com.sg

Maya Rizano, Head of Group Communications
Telephone + (62-21) 5291 5110
E-mail mayasrizano@hsbc.co.id

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

Markit

Pollyanna De Lima, Economist
Telephone +44-1491-461-075
Email pollyanna.delima@markit.com

Caroline Lumley, Corporate Communications
Telephone +44-20-7260-2047
Mobile +44-78-1581-2162
Email 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.

HSBC Holdings plc:

HSBC is one of the world's largest banking and financial services organisations, with around 6,600 offices in both established and faster-growing markets. We aim to be where the economic 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 55 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 80 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 about 216,000 shareholders in 130 countries and territories.

About Markit:

Markit is a leading, global financial information services company with over 3,000 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

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