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HSBC Indonesia Manufacturing PMI™

Production increases for third month running

Key findings:

- New orders rise at slowest rate in three months
- Sixth successive fall in new export orders recorded
- Slight contraction in workforces ends a three-month sequence of job creation

Output in the Indonesian manufacturing sector increased moderately during September. However, new order growth was the slowest in three months and new export orders continued to fall. With workforces contracting, backlogs of work were accumulated. Whereas pre-production inventories increased, stocks of finished goods were depleted. Meanwhile, input and output price inflation persisted in the latest month.

The headline figure derived from the survey is the *Purchasing Managers' Index™ (PMI™)*. Readings above 50.0 signal an improvement in business conditions on the previous month while readings below 50.0 show a deterioration. The PMI is composed of five sub-indices tracking changes in new orders, output, employment, suppliers' delivery times and stocks of purchases.

The PMI posted 50.5 in September, down from the reading of 51.6 in August. Although the health of the Indonesian manufacturing sector continued to improve, latest data pointed to a slowdown from the previous month.

Output increased for the third month running amid reports of stronger demand. However, the rate of expansion was only slight and slower than August's 10-month high. Order book volumes also grew at a slower pace, with panellists linking recent rises to increasing marketing and the launch of new products. The global economic downturn continued to affect Indonesian exports, with some reports of falling orders from Europe and Japan.

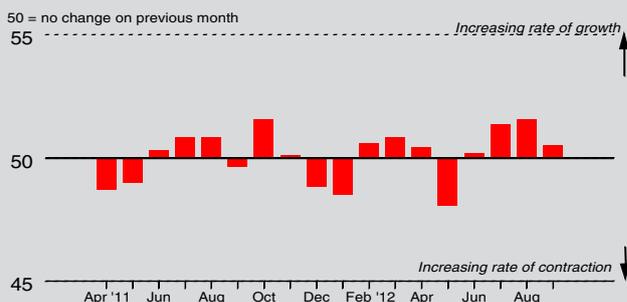
Workforces fell, ending a three-month sequence of job creation. That said, the pace of contraction was only slight and the vast majority (94%) of survey respondents signalled no change in employment from August. Meanwhile, the volume of work-in-hand (but not yet completed) increased, following a stagnation in August. That said, the rate of accumulation was only slight.

Whereas pre-production inventories increased, stocks of finished goods were depleted. Manufacturers in Indonesia reportedly accumulated input inventories in order to meet rising demand. Stocks of purchases increased for the third successive month, although the pace of expansion was only slight. Moreover, post-production inventories were depleted at a slight rate, ending a two-month sequence of growth.

Inflationary pressures persisted in the Indonesian goods-producing sector during September. According to panellists, input costs rose in line with increasing raw material and commodity prices. Although substantial, the pace of inflation eased to the slowest since November 2011. Charges increased slightly, although inflation eased from the pace recorded in August. Anecdotal evidence suggested that selling prices were increased in line with rising raw material costs.

Purchasing activity increased for the third successive month. However, the rate of expansion was slower than August's five-month high.

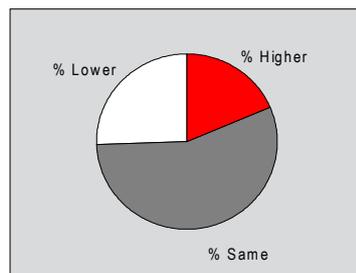
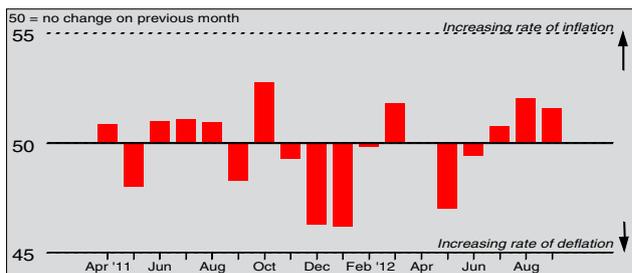
HSBC Indonesia Purchasing Managers' Index™ (PMI™)



The HSBC Indonesian *Purchasing Managers' Index™ (PMI™)* is a composite indicator designed to provide an overall view of activity in the manufacturing sector and acts as a leading indicator for the whole economy. The indicator is derived from individual diffusion indices which measure changes in output, new orders, employment, suppliers' delivery times and stocks of goods purchased. A reading of the PMI™ below 50.0 indicates that the manufacturing economy is generally declining; above 50.0, that it is generally expanding. A reading of 50.0 signals no change. The greater the divergence from 50.0, the greater the rate of change signalled by the index. *Purchasing Managers' Index™* and *PMI™* are trade marks of Markit Economics Limited, HSBC use the above marks under licence. Markit and the Markit logo are registered trade marks of Markit Group Limited.

Output Index

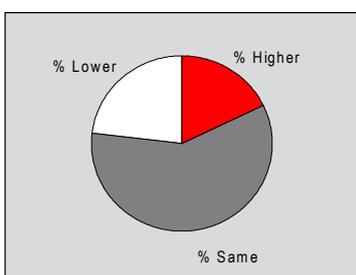
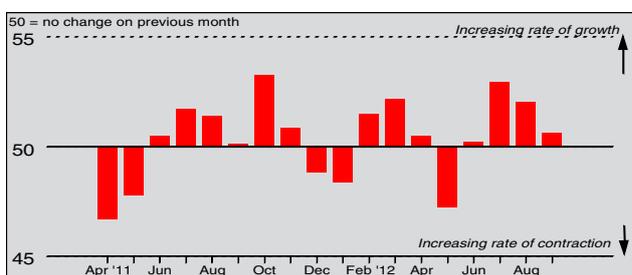
Q. Please compare your production/output this month with the situation one month ago.



Production at Indonesian manufacturing firms increased in September for the third successive month. However, the pace of expansion was only moderate and slower than that recorded in August. Moreover, the seasonally adjusted Output Index posted above the series' long-run trend. Anecdotal evidence suggested that output increased in line with stronger demand.

New Orders Index

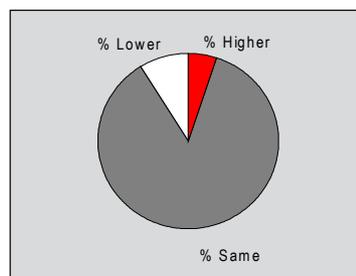
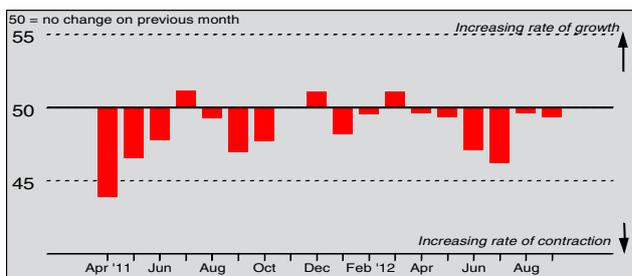
Q. Please compare the level of new orders received (Indonesia and export) this month with the situation one month ago.



Order book volumes in the Indonesian goods-producing sector increased in September, amid reports of stronger demand, the launch of new products and increasing marketing. Although new orders have expanded for four successive months, the latest rise was only slight and slower than that seen in August.

New Export Orders Index

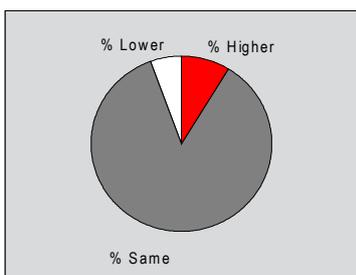
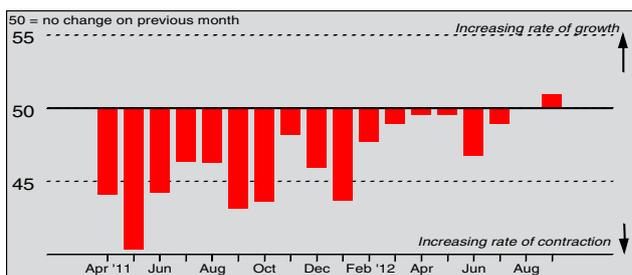
Q. Please compare the level of new export orders received this month with the situation of one month ago.



Indonesian manufacturing firms recorded a further reduction in new export orders during September. The rate of contraction was only slight, but nevertheless extended the current period of contraction to six months. Monitored companies linked the latest decline in new export business to the global economic downturn and falling orders from Europe and Japan.

Backlogs of Work Index

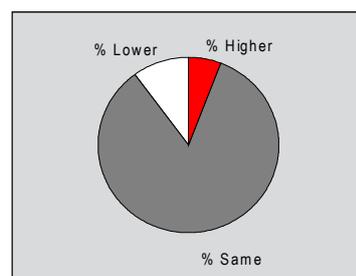
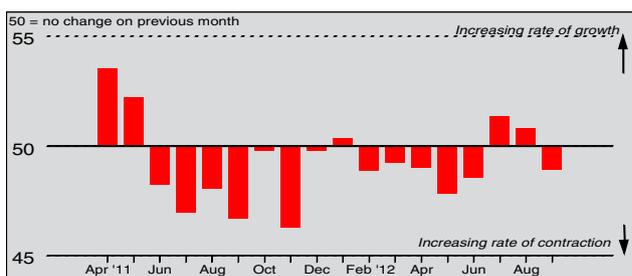
Q. Please compare the level of outstanding business in your company this month with the situation one month ago.



The volume of outstanding orders at manufacturing firms in Indonesia increased during September. With almost 9% of respondents signalling higher backlogs of work but the vast majority (86%) reporting no change, the pace of increase was only slight. That said, the volume of work-in-hand (but not yet completed) increased for the first time in the 18-month series history.

Stocks of Finished Goods Index

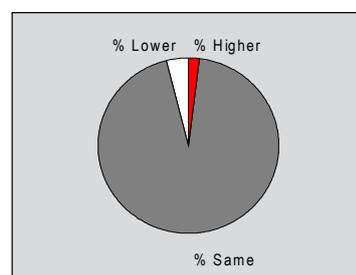
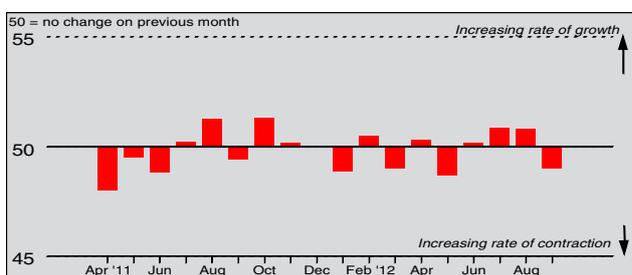
Q. Please compare your stocks of finished goods (in units) this month with the situation one month ago.



Post-production inventories in the Indonesian manufacturing sector decreased in September, ending a two-month sequence of accumulation. The rate of contraction was modest, and the Stocks of Finished Goods Index adjusted for seasonal factors posted below the series' long-run average. Approximately 10% of respondents stated that their stocks of finished goods were lower, in contrast to 6% that signalled an accumulation.

Employment Index

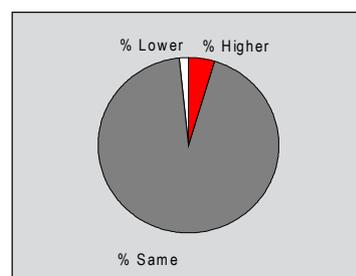
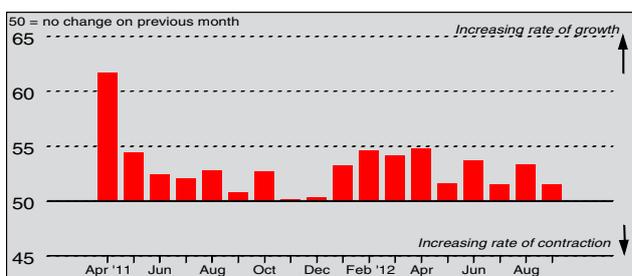
Q. Please compare the level of employment at your unit with the situation one month ago.



Workforces at manufacturers in Indonesia fell during September, ending a three-month sequence of job creation. With exactly 4% of panellists reporting lower staffing levels but 94% signalling no change, the pace of contraction was only slight. Resignations were amongst the factors leading to a reduction in employment.

Output Prices Index

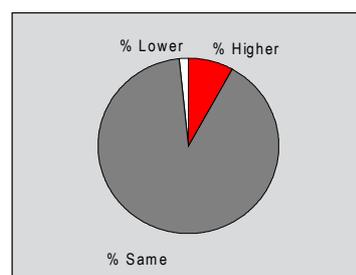
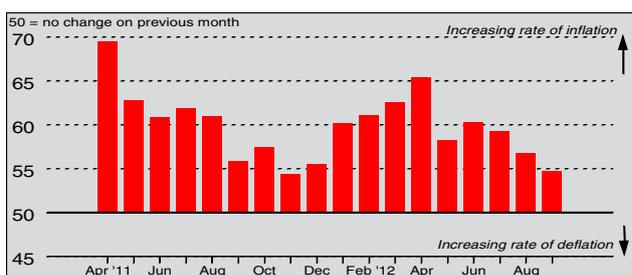
Q. Please compare the average price that you charge per unit of output (volume weighted) this month with the situation one month ago.



Manufacturing companies in Indonesia signalled a further increase in output prices during September, amid reports of rising raw material costs. That said, the rate of inflation was only moderate and slower than that seen in August. Output price inflation has been recorded throughout the 18-month series history.

Input Prices Index

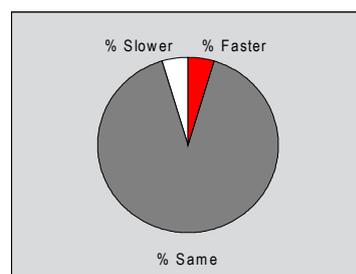
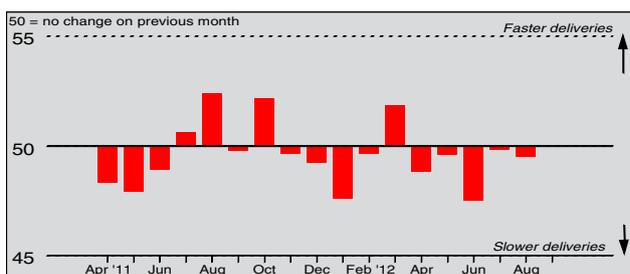
Q. Please compare the average price of your purchases (volume weighted) this month with the situation one month ago.



Input costs in the Indonesian manufacturing sector increased during September. The pace of purchase cost inflation was solid, but the slowest recorded since November 2011. Unfavourable exchange rate conditions, alongside rising commodity and raw material prices were mentioned by panel respondents as factors leading to the latest increase.

Suppliers' Delivery Times Index

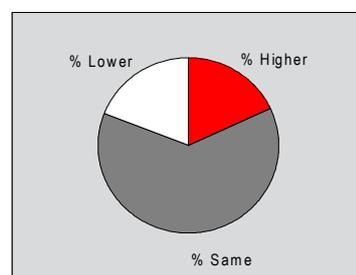
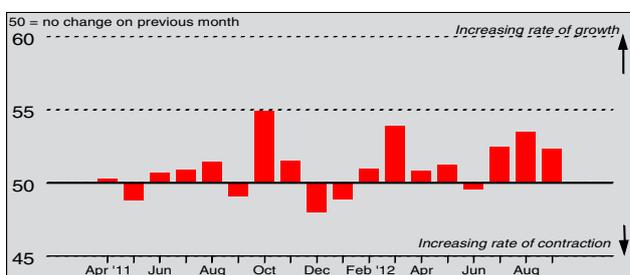
Q. Please compare your suppliers' delivery times (volume weighted) this month with the situation one month ago.



Average lead times at manufacturing companies in Indonesia remained unchanged during September, ending a five-month sequence of lengthening. Moreover, the seasonally adjusted Suppliers' Delivery Times Index posted above its long-run trend. Approximately 91% of the survey panel stated that vendor performance in the reporting month was the same as that seen in August.

Quantity of Purchases Index

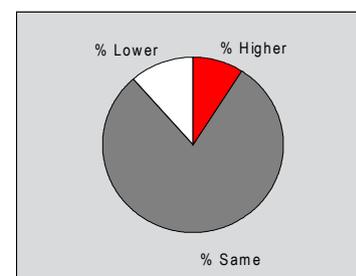
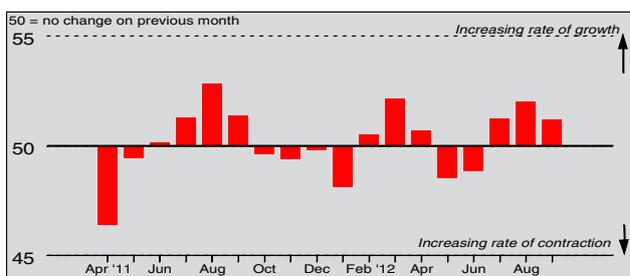
Q. Please compare the quantity of items purchased (in units) this month with the situation one month ago.



Purchasing activity in the Indonesian manufacturing sector increased during September, amid reports of stronger demand. Input buying expanded for the third successive month, with the latest growth only modest and the slowest in this sequence. However, the seasonally adjusted Quantity of Purchases Index posted above its long-run trend.

Stocks of Purchases Index

Q. Please compare your stocks of purchases (in units) with the situation one month ago.



Input inventories in the Indonesian manufacturing sector increased during September, marking a three-month sequence of accumulation. However, the pace of expansion was only slight and slower than in August. Panellists intentionally increased their inventories in line with stronger demand, it was reported.

Notes on the Data and Method of Presentation

The Purchasing Managers' Index™ is based on data compiled from monthly replies to questionnaires sent to purchasing executives in over 400 manufacturing companies. The panel is stratified by Standard Industrial Classification (SIC) group and company size, based on industry contribution to Indonesian manufacturing value added. 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.

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