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HSBC Indonesia Manufacturing PMI™

Output expands for fifth successive month

Key findings:

- Fastest increase in new orders since records began in April 2011
- New export orders grow at solid pace
- Rise in purchasing activity accelerates to fastest in series history

In line with increased volumes of incoming new work, production in the Indonesian manufacturing sector rose in November. New orders, purchase quantities and export sales all expanded at the fastest pace in the 20 months of data collection. Although fractional job losses were signalled, backlogs of work fell. Part of the burden of input cost inflation was passed on to clients, as prices charged rose again. Whereas stocks of purchases were accumulated, post-production inventories were depleted marginally.

The seasonally adjusted *Purchasing Managers' Index™ (PMI™)* – a composite indicator designed to give a single-figure snapshot of operating conditions in the manufacturing economy – posted 51.5 in November, down slightly from October's 19-month series record. The latest reading indicated a further improvement in the health of the manufacturing sector.

Production at manufacturing companies in Indonesia increased during November for the fifth consecutive month. Output expanded moderately, and at a slower rate than that signalled in October. Anecdotal evidence suggested that production rose in line with increased order book volumes.

New orders and new export orders both increased during November. Rates of expansion were solid and the fastest throughout the 20-month series so far. Monitored companies linked the latest rise to stronger demand.

Manufacturers in Indonesia signalled increased purchasing

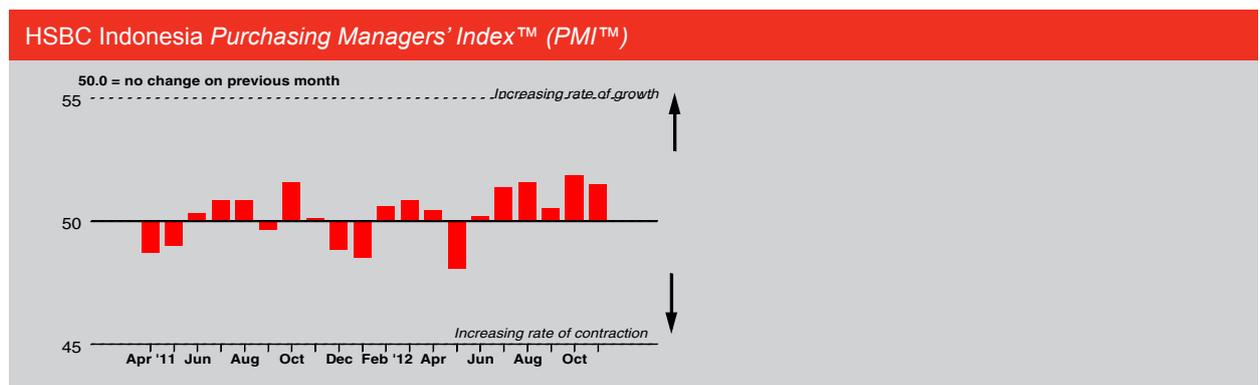
activity during November, extending the current expansionary sequence to five months. With around 22% of monitored companies reporting higher input buying, the rate of expansion was robust and the fastest since the survey started.

Meanwhile, vendor performance in the Indonesian manufacturing sector improved during November for the first time since March. However, average lead times shortened only slightly.

In contrast to a rise recorded in October, workforces in the Indonesian manufacturing sector fell in November. That said, the rate of job losses was only fractional. According to some monitored companies, the non-replacement of staff following resignations and retirements resulted in lower employment levels.

Manufacturing firms in Indonesia registered a further increase in both input and output prices during November. Concurrent cost and charge inflation has been signalled since the survey started in April 2011. Anecdotal evidence suggested that input costs rose in line with increased raw material, flour, methanol, plastic and metal prices. Consequently, output prices were adjusted up, though to a lesser degree than the rise in costs.

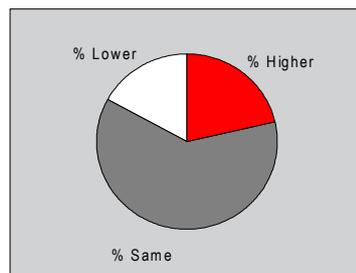
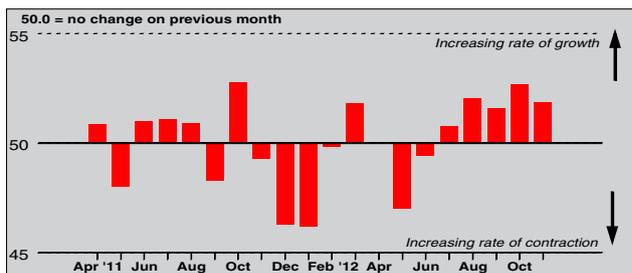
Stocks of purchases at manufacturers in Indonesia were accumulated during November, amid reports of an anticipated rise in demand. In contrast, post-production inventories were depleted, albeit at only a fractional rate.



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

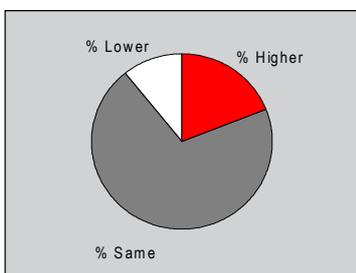
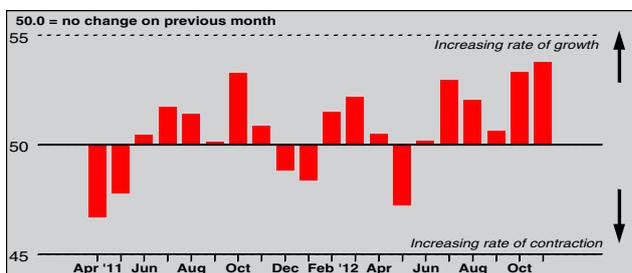
Q. Please compare your production/output this month with the situation one month ago.



Continuing the trend that started in July, production in the Indonesian manufacturing sector increased during November. Although the pace of expansion eased from October's 12-month high, it remained above the series average. Around 21% of panellists signalled higher output, citing increased new orders. In comparison, 17% of respondents stated that production at their units was lower.

New Orders Index

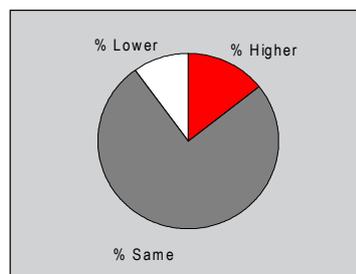
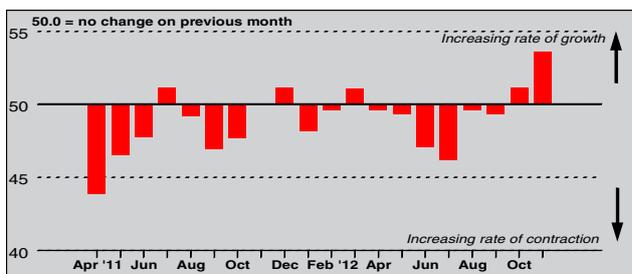
Q. Please compare the level of new orders received (Indonesia and export) this month with the situation one month ago.



Manufacturing firms in Indonesia signalled higher order book volumes during November, marking a six-month sequence of expansion. New orders increased solidly, and at the fastest pace in the 20-month series history. Exactly 19% of manufacturers reported higher levels of new orders, mentioning rising demand.

New Export Orders Index

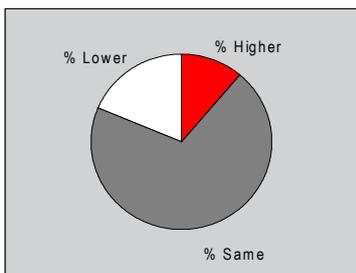
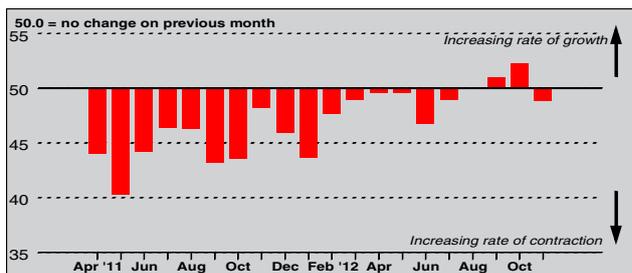
Q. Please compare the level of new export orders received this month with the situation of one month ago.



New export orders at manufacturing companies in Indonesia increased for the second successive month in November. The rise in export orders was solid, and the fastest since data collection started in April 2011. In contrast to approximately 14% of panel members citing higher exports, 10% signalled a fall. Anecdotal evidence pointed to firm demand from Asian markets such as Malaysia, Singapore, Vietnam and Japan.

Backlogs of Work Index

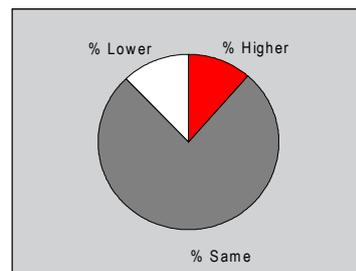
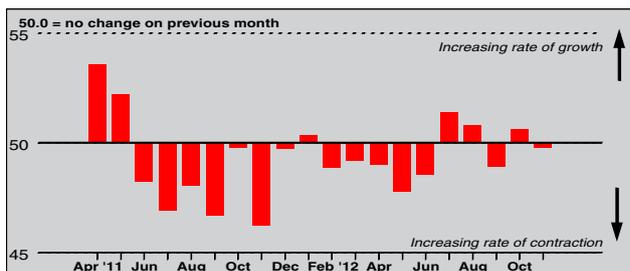
Q. Please compare the level of outstanding business in your company this month with the situation one month ago.



In contrast to an increase noted in October, backlogs of work in the Indonesian manufacturing sector fell during November. With almost 19% of monitored companies signalling lower volumes of work-in-hand (but not yet completed) against 11% reporting a rise, the pace of depletion was only slight. Amongst other factors, panel members suggested that new machinery led to a reduction in the level of outstanding business.

Stocks of Finished Goods Index

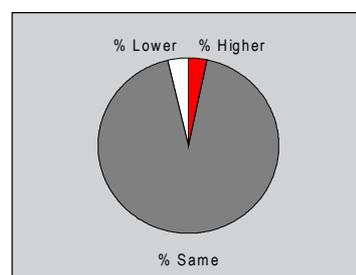
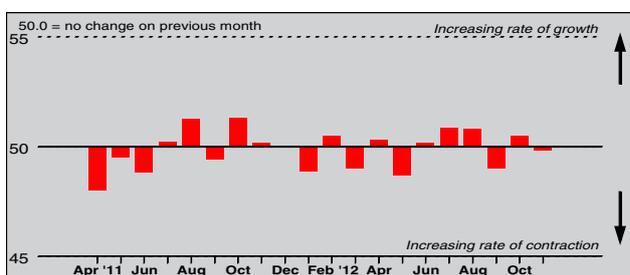
Q. Please compare your stocks of finished goods (in units) this month with the situation one month ago.



After increasing slightly in the previous month, stocks of finished goods at manufacturing companies in Indonesia were depleted during November. That said, the seasonally adjusted Stocks of Finished Goods Index indicated only a fractional decrease in post-production inventories. Approximately 12% of the survey panel reported lower stocks of finished goods, versus 11% indicating an accumulation at their units.

Employment Index

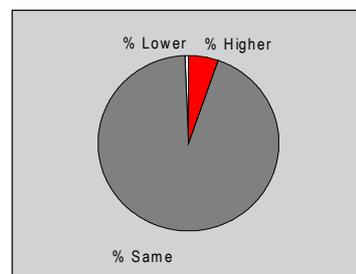
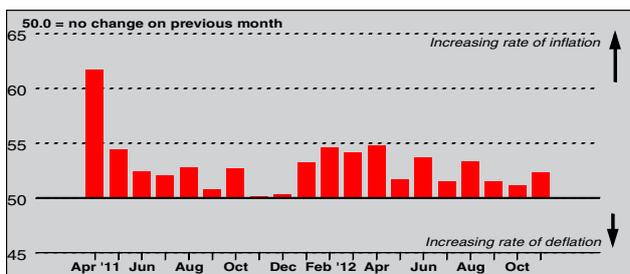
Q. Please compare the level of employment at your unit with the situation one month ago.



Manufacturing companies in Indonesia signalled lower staffing levels during November, amid reports of resignations and retirements. However, the rate of job losses was only fractional, with the vast majority (93%) of panellists indicating no change. Payroll numbers have contracted twice in the past six months.

Output Prices Index

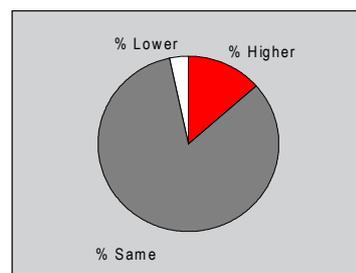
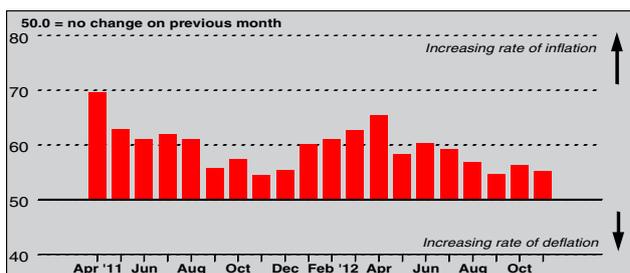
Q. Please compare the average price that you charge per unit of output (volume weighted) this month with the situation one month ago.



Output prices in the Indonesian manufacturing sector increased during November, as has been the case since records began in April 2011. Moreover, the pace of inflation was at a three-month high. Anecdotal evidence suggested that charges rose in line with rising input costs, although only part of the increased cost burden was passed on to clients.

Input Prices Index

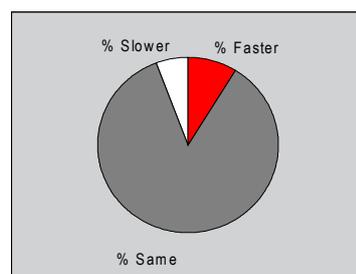
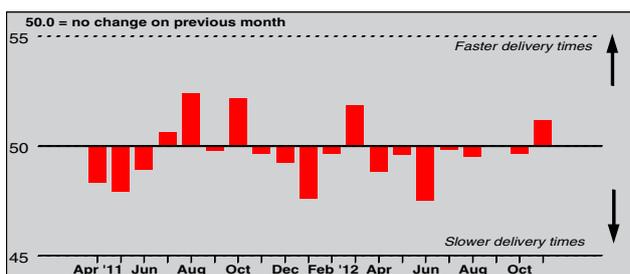
Q. Please compare the average price of your purchases (volume weighted) this month with the situation one month ago.



Continuing the trend that has been observed since records began, input prices at manufacturers in Indonesia increased during November. Although solid, the rate of inflation eased from that recorded in the previous month. Almost 14% of monitored companies signalled input cost inflation, citing increased raw material prices. There were particular mentions of higher flour, methanol, plastic and metal costs.

Suppliers' Delivery Times Index

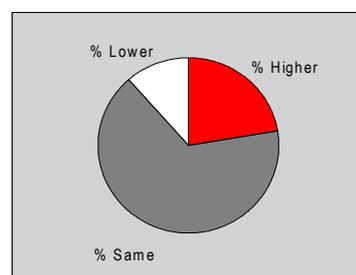
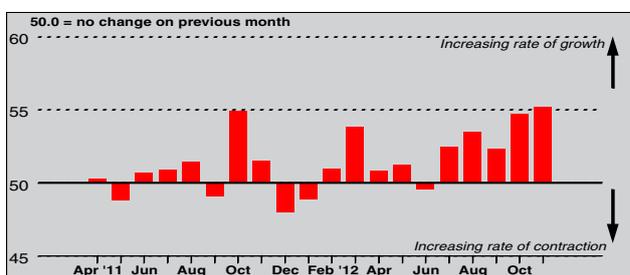
Q. Please compare your suppliers' delivery times (volume weighted) this month with the situation one month ago.



Average lead times in the Indonesian manufacturing sector shortened in November. The Suppliers' Delivery Times Index adjusted for seasonal variations posted above the no-change mark of 50.0, indicating the first improvement in vendor performance since March. Whereas almost 9% of panellists stated that suppliers' delivery times were faster, the vast majority (86%) reported no change. Consequently, the rate of shortening was only slight.

Quantity of Purchases Index

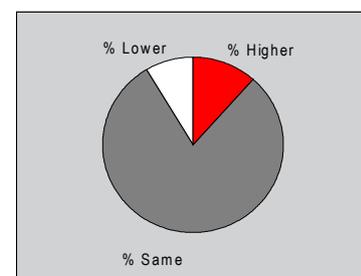
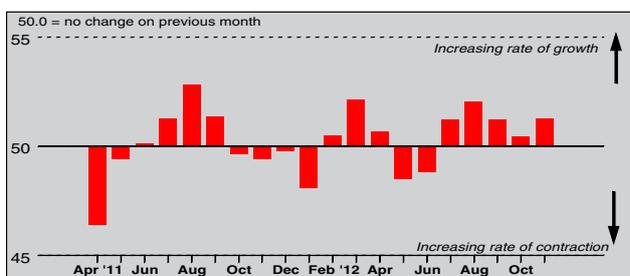
Q. Please compare the quantity of items purchased (in units) this month with the situation one month ago.



Purchasing activity at manufacturing companies in Indonesia rose during November for the fifth consecutive month. The rate of expansion was robust and the fastest in 20 months of data collection. Around 22% of monitored companies indicated higher input buying, which they linked to strengthening demand.

Stocks of Purchases Index

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



Stocks of purchases in the Indonesian manufacturing sector rose during November, marking a five-month sequence of accumulation. Although faster than that recorded in October, the rate of increase was only slight. Anecdotal evidence suggested that pre-production inventories were accumulated in line with an anticipated rise in demand.

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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