Embargoed until: 2 January 2013

HSBC Indonesia Manufacturing PMI™

Rate of output growth accelerates from November

Key findings:

- Seventh successive monthly rise in new orders
- Expansion in new export orders eases from November
- Employment contracts at fastest pace in 20 months

December data signalled increased output in the Indonesian manufacturing sector, with the rate of expansion quickening from November. However, new orders and new export orders both rose at the slowest pace in three months. In line with falling staffing levels, backlogs of work were accumulated. Although moderate, the rate of job losses accelerated to the fastest in 20 months. Meanwhile, input and output price inflation persisted.

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 expansion and readings below 50.0 signal contraction. After adjusting for seasonal factors, the index posted 50.7 in December, down from the reading of 51.5 in November to signal a further improvement in the health of the manufacturing sector.

Production in the Indonesian manufacturing sector increased in December, amid reports of stronger demand. Although moderate, the rate of expansion accelerated from November. Growth has now been sustained for six successive months.

New orders and new export orders both increased, with rates of expansion moderate and slight respectively. New work intakes rose for the seventh successive month, but at the slowest pace since September. Meanwhile, the rate of growth in new export orders was the slowest in the current three-month expansionary sequence. Anecdotal evidence suggested that new export orders

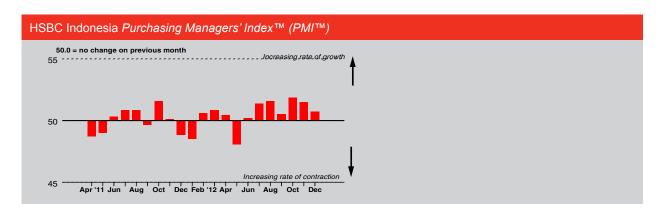
increased in tandem with higher demand from Asian, African and European markets.

Staffing levels in the Indonesian manufacturing sector fell for the second consecutive month during December. Although moderate, the rate of job losses accelerated to the fastest in 20 months. According to monitored companies, the non replacement of resignations and retired staff resulted in lower employment levels. Subsequently, backlogs of work were accumulated, albeit only slightly.

As has been the case since the survey started in April 2011, both input and output prices at manufacturing companies in Indonesia increased. Input costs rose solidly, and at a broadly similar pace to that recorded in November. Panellists cited higher raw material, plastic, paper, thread and chemical costs. Meanwhile, charges rose only moderately.

Purchasing activity in the Indonesian goods-producing sector increased in December, marking a six-month sequence of expansion. With one-fifth of monitored companies indicating higher input buying but 15% noting a decline, the overall pace of growth was only slight.

Meanwhile, stocks of finished goods were accumulated, amid reports of anticipated rises in demand. However, post-production inventories increased only modestly. In contrast, stocks of purchases were depleted slightly.



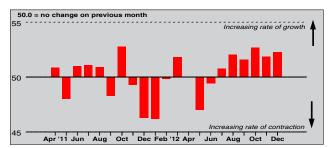
The HSBC Indonesian *Purchasing Managers' Index™* (*PMI™*) is a composite indicator designed to provide an overall view of activity in the manufacturing sector and acts as a leading indicator for the whole economy. The indicator is derived from individual diffusion indices which measure changes in output, 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.

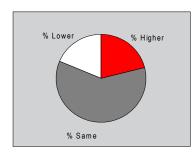




Output Index

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



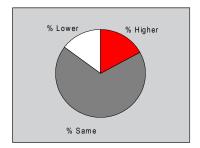


Output in the Indonesian manufacturing sector increased during December, marking a six-month sequence of growth. Although moderate, the pace of expansion accelerated from that seen in November. Over one-fifth of panel members reported higher production, mentioning strengthening demand. In contrast, almost 19% of respondents indicated lower output.

New Orders Index

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

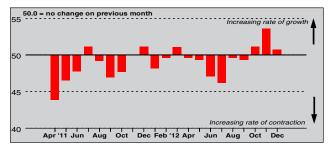




Continuing the trend that started in June, new orders in the Indonesian goods-producing sector increased in December. Whereas 17% of respondents indicated higher order book volumes, 15% noted a decline. Consequently, the rate of expansion was only moderate and the slowest in three months. Anecdotal evidence suggested that growth reflected higher demand from national and international clients. There were also mentions of increased marketing.

New Export Orders Index

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

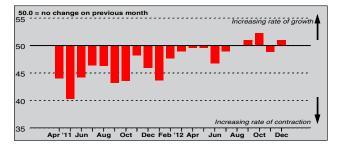


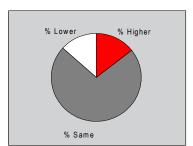


New export orders at manufacturing firms in Indonesia increased during December, as has been the case since October. However, the pace of expansion as signalled by the New Export Orders Index adjusted for seasonal variations was only slight, and the slowest in the current sequence. According to monitored companies, demand from African, Asian and European clients rose.

Backlogs of Work Index

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

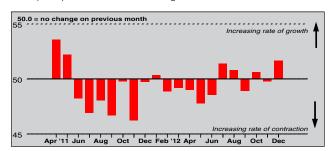


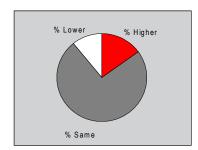


In contrast to a depletion recorded in November, backlogs of work at manufacturing companies in Indonesia increased during December. But with 14% of surveyed firms indicating higher volumes of work in hand (but not yet completed) and 13% noting a decline, the overall pace of accumulation was only slight. Manufacturers indicated that unfinished business was accumulated in tandem with higher new orders and falling employment.

Stocks of Finished Goods Index

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



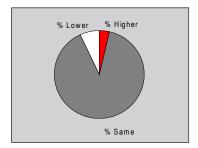


Stocks of finished goods in the Indonesian manufacturing sector increased during December for the first time since October. Exactly 15% of the survey panel indicated higher post-production inventories, but 11% noted a decrease. Consequently, the overall pace of expansion was only modest. Panellists indicated that stocks of finished goods were intentionally accumulated to fulfil anticipated rises in demand.

Employment Index

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

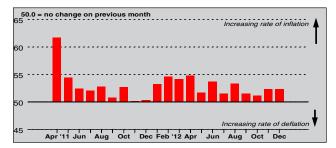


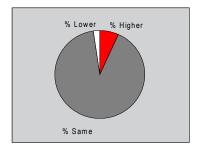


Workforces at manufacturing companies in Indonesia fell moderately during December. Whereas 7% of monitored firms reported lower payroll numbers, the vast majority (89%) indicated no change from November. Anecdotal evidence suggested that job losses reflected the non replacement of staff resignations and retirements. Staffing levels fell for the second successive month, and the seasonally adjusted Employment Index was at a 20-month low.

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.



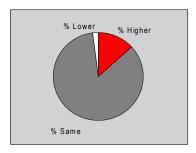


As has been the case since the survey started in April 2011, output charges in the Indonesian goods-producing sector rose in December. That said, the pace of inflation was only moderate with the seasonally adjusted Output Prices Index posting slightly below the series average. Companies indicated that higher input costs and unfavourable exchange rates resulted in increased factory gate prices.

Input Prices Index

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



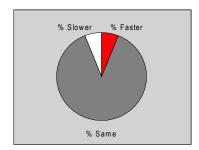


Input prices in the Indonesian manufacturing sector rose during December, amid reports of higher raw material costs. There were also mentions of increased plastic, paper, thread and chemical prices. The pace of inflation was solid, but broadly unchanged from November. Cost inflation has been signalled since the survey started in April 2011.

Suppliers' Delivery Times Index

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

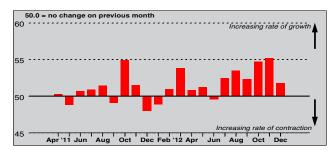


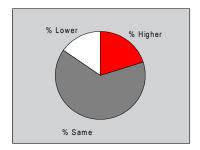


Average lead times at manufacturing companies in Indonesia shortened during December, amid reports of customer requests and increased shipping capacity. But with only 6% of panellists indicating faster suppliers' delivery times and the vast majority (88%) signalling no change, the pace of shortening was only fractional and less marked than that seen in November.

Quantity of Purchases Index

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



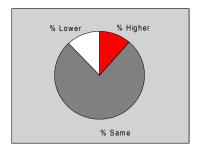


Purchasing activity in the Indonesian goods-producing sector increased during December, the sixth successive monthly rise recorded. With one-fifth of panel members reporting higher input buying and 15% noting a decline, the overall pace of growth was only moderate and the slowest in the sequence. Panel members suggested that the quantity of purchases had risen in tandem with expanding output.

Stocks of Purchases Index

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





In contrast to an accumulation indicated in November, pre-production inventories at manufacturing companies in Indonesia fell during December. That said, the overall rate of depletion was only slight, as signalled by the Stocks of Purchases Index adjusted for seasonal factors. Anecdotal evidence suggested that stocks of purchases were reduced in line with higher production requirements and attempts to keep costs of inventories down.

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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