HSBC *Purchasing Managers' Index™* 2013

compiled by markit

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HSBC Indonesia Manufacturing PMI™

Output increases for first time since December 2012

Key findings:

- Growth in total new orders fastest in four months
- New export orders expand slightly
- Solid rise in purchasing activity

March data signalled an improvement in operating conditions across the Indonesian manufacturing sector. Underpinning this was a faster expansion in new orders, which in turn supported a slight rise in production. Export business and input buying both rose, while stocks of purchases were broadly unchanged from February.

The headline *HSBC 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 remained above the no-change mark of 50.0 during March, posting 51.3 (up from 50.5 in February). The latest reading indicated only a slight improvement in business conditions, but was the highest posting in four months.

Incoming new work placed with Indonesian manufacturers rose for a tenth consecutive month in March. Furthermore, the rate of expansion was solid and accelerated to the fastest since last November. New business growth was supported by stronger domestic and foreign demand. This was highlighted by a rise in new export orders, albeit only slight.

The rise in new work resulted in a further accumulation in the level of outstanding business at Indonesian manufacturers during March. Backlogs of work increased for the fourth successive month, but the rate of accumulation was only slight and weaker than that seen in February.

Stronger demand for Indonesian manufactured goods encouraged firms to increase their post-production inventories. However, with 15% of panellists indicating an accumulation in their stocks of finished goods and 12% reporting a fall, the overall rate of increase was only slight.

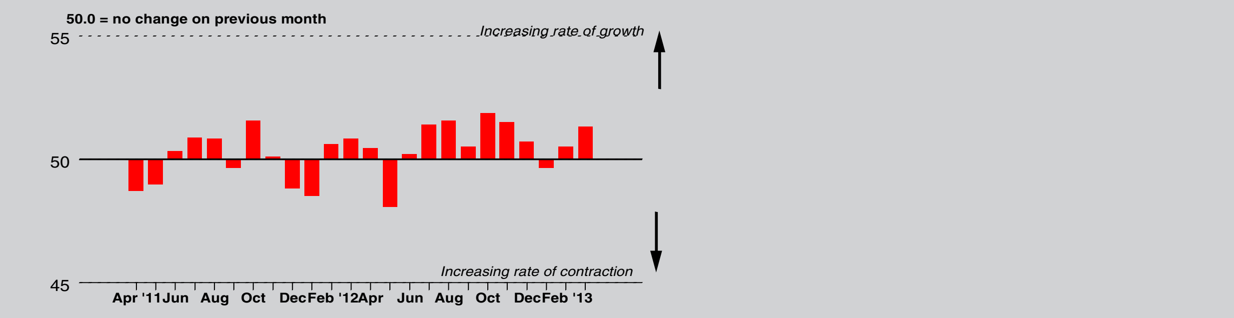
Manufacturers signalled falling employment levels during March, the fifth consecutive monthly decline registered. Some panel members reported that the rise in the minimum wage had discouraged them from hiring, following staff resignations and retirement.

The quantity of inputs bought by Indonesian manufacturers rose solidly in March, and at the sharpest rate since November 2012. Nevertheless, stocks of raw materials held by firms were broadly unchanged from the previous month.

Meanwhile, average delivery times from suppliers lengthened further, but at the slowest pace in the current three-month sequence of worsening vendor performance.

Input costs continued to rise sharply in March, although the rate of inflation was broadly unchanged since June. Panel members reported higher prices paid for raw materials in general and unfavourable exchange rates. Manufacturers passed on to clients part of the cost inflation burden by increasing charges. Although solid, the rate of output price inflation was weaker than that recorded in February.

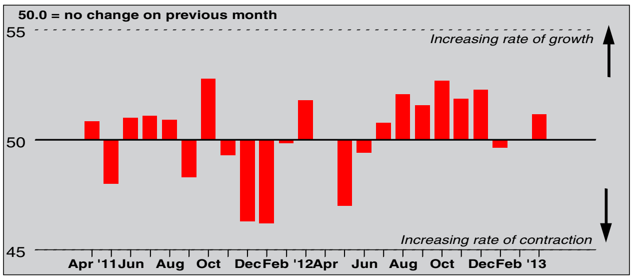
HSBC Indonesia *Purchasing Managers' Index™ (PMI™)*

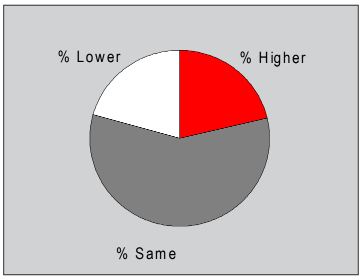


The HSBC Indonesian *Purchasing Managers' Index™ (PMI™)* is a composite indicator designed to provide an overall view of activity in the manufacturing sector and acts as a leading indicator for the whole economy. The indicator is derived from individual diffusion indices which measure changes in output,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

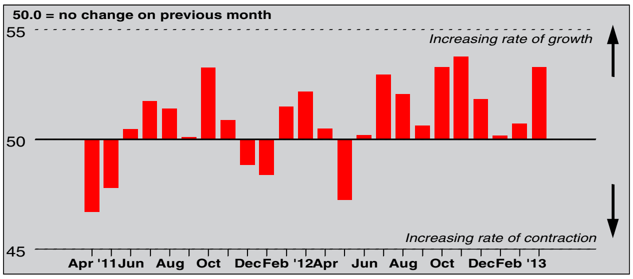


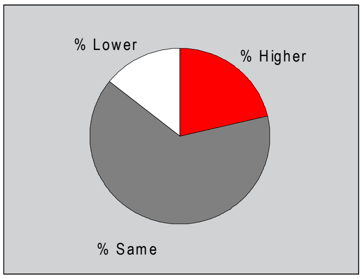


March data signalled increasing output in the Indonesian manufacturing sector. The seasonally adjusted Output Index posted above the 50.0 no-change mark for the first time since December last year, but indicated that production expanded only slightly. Approximately 21% of survey respondents reported higher output, citing increased order book volumes.

New Orders Index

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

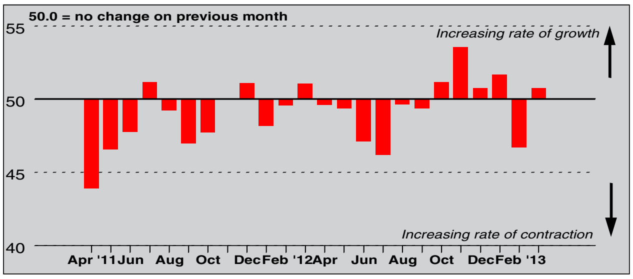


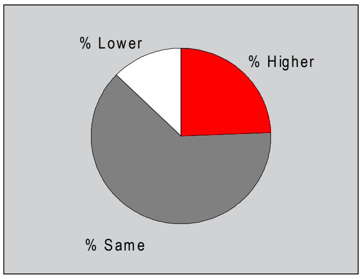


New orders at manufacturing companies in Indonesia rose during March, extending the current sequence of growth to ten months. The overall rate of expansion was solid and the quickest since November last year. Just over one-fifth of firms reported higher volumes of incoming new work, while 14% saw a fall. Anecdotal evidence suggested that demand from both domestic and export clients had strengthened over the month.

New Export Orders Index

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

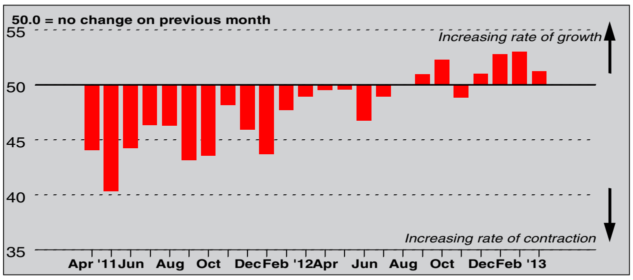


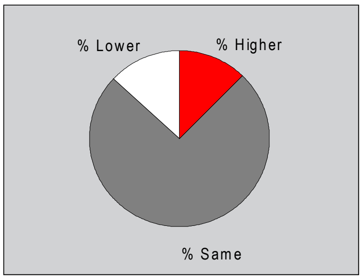


In contrast to a decrease registered in February, new export orders expanded during March. That said, total export business rose only slightly as indicated by the seasonally adjusted New Export Orders Index. Where a rise in foreign sales was reported, this was frequently attributed by panel members to new contract wins in Asian countries.

Backlogs of Work Index

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

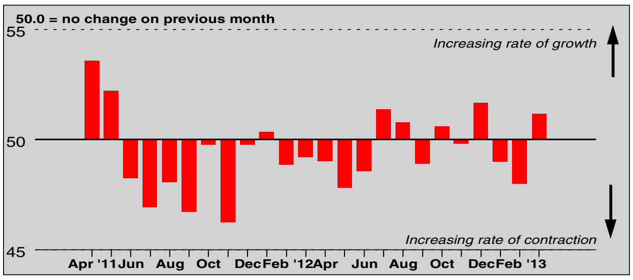


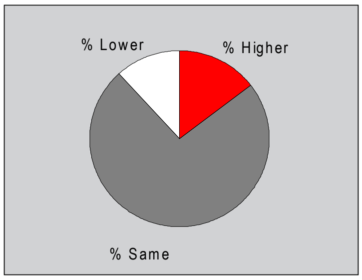


Companies operating in the Indonesian manufacturing sector signalled higher levels of unfinished business during March, mentioning lower payroll numbers and increased new business. Backlogs of work were accumulated for the fourth consecutive month, but the rate of increase was only slight and eased to a three-month low.

Stocks of Finished Goods Index

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

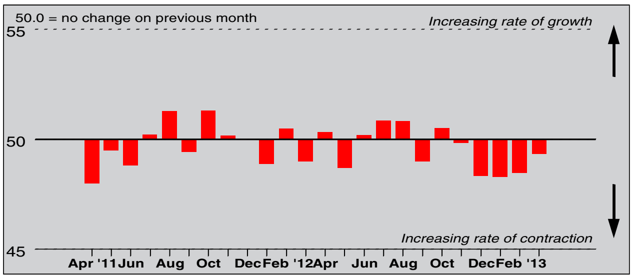


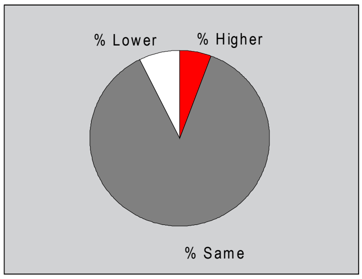


March data pointed to higher stocks of finished goods at manufacturing companies in Indonesia, the first rise registered in three months. Almost 15% of monitored companies reported an accumulation in post-production inventories, while 12% noted a fall. Consequently, the overall rate of increase was only slight. Nonetheless, the Stocks of Finished Goods Index adjusted for seasonal variations posted above the series average.

Employment Index

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

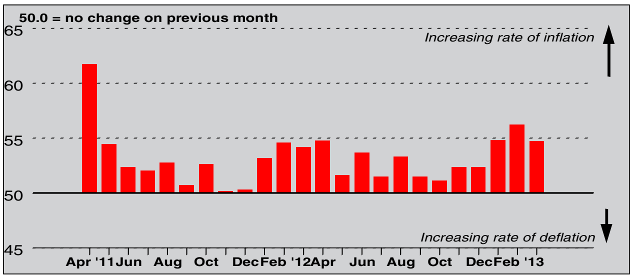


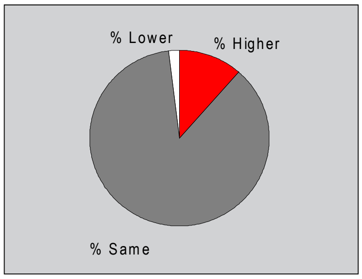


Extending the current sequence of contraction to five months, payroll numbers in the Indonesian manufacturing sector decreased during March. That said, employee headcounts fell only slightly and at the slowest pace since November 2012. Those panel members reporting job losses mentioned that with the rise in the minimum wage, they had decided not to replace voluntary leavers and retired staff.

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.

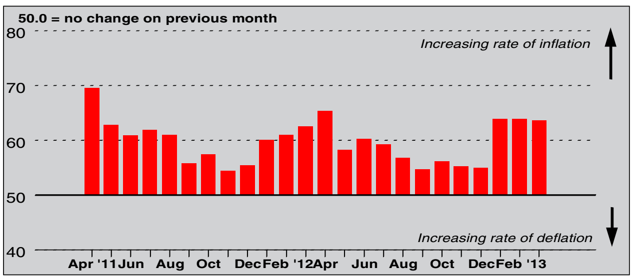


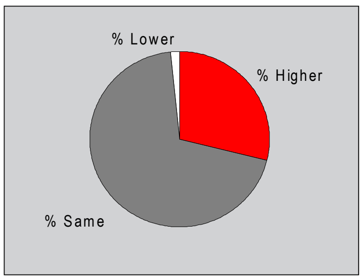


Output prices in the Indonesian goods-producing sector rose during March, as has been the case in each month since data collection began in April 2011. The rate of charge inflation was solid, but eased from February. According to panel members, the rise in the national minimum wage and higher input costs both fed through to the latest increase in average tariffs.

Input Prices Index

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

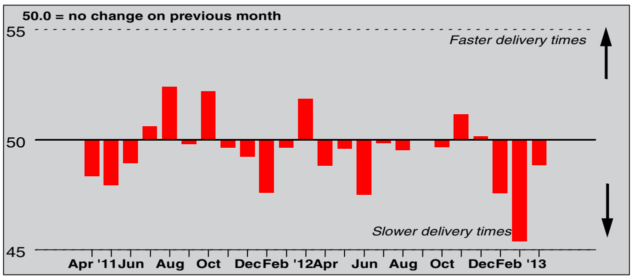


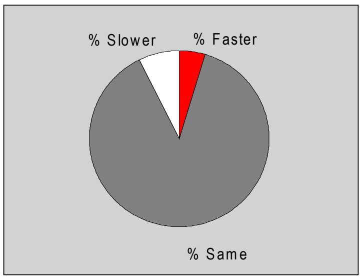


Input prices paid by manufacturing companies in Indonesia rose during March, amid reports of higher raw material costs and unfavourable exchange rates. Almost 29% of respondents reported higher purchasing prices, while only 2% indicated a decrease. Consequently, the overall rate of cost inflation was robust, but broadly unchanged from that seen in February.

Suppliers' Delivery Times Index

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

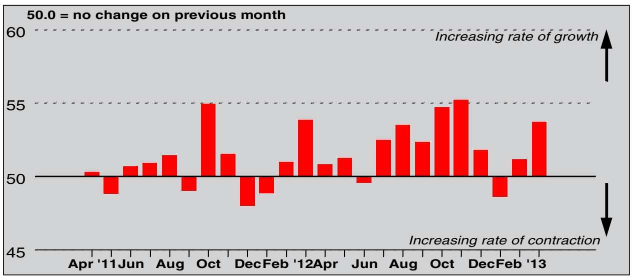


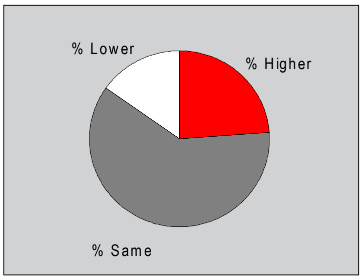


Suppliers' delivery times in the Indonesian manufacturing sector lengthened during March, amid evidence of raw material shortages and transportation problems. That said, vendor performance worsened only slightly and at the slowest pace in the current three-month sequence of deterioration. Approximately 7% of monitored companies reported slower lead times, but the vast majority (88%) indicated no change from February.

Quantity of Purchases Index

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

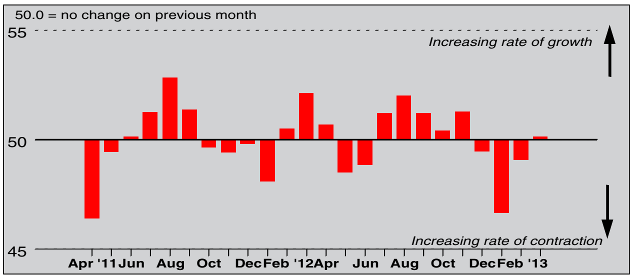


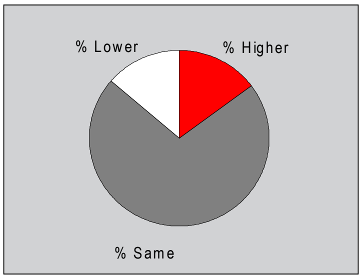


The quantity of items purchased by manufacturers in Indonesia rose for the second consecutive month in March. Moreover, the rate of expansion was solid and the quickest since November 2012. Almost 24% of survey respondents indicated higher purchasing activity and linked the rise to increased production requirements. Conversely, 15% of panel members reported lower input buying.

Stocks of Purchases Index

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





Pre-production inventories in the Indonesian manufacturing sector were broadly unchanged during March. Those panel members reporting higher stocks of purchases linked the rise to anticipated increases in the volume of incoming new work. In contrast, respondents signalling lower pre-production inventories forecast weaker 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.

Warning