

HSBC Indonesia Manufacturing PMI™

PMI reaches survey record in May, as new order growth gains further momentum

Summary

Manufacturers across Indonesia signalled a further improvement in operating conditions during May. A survey-record rise in new orders led companies to scale up production, pushing the PMI to its highest reading in the history of the series. On the price front, both input costs and output charges increased at weaker rates that were also below their respective series averages.

Adjusted for seasonal factors, the *HSBC Purchasing Managers' Index™ (PMI™)* registered 52.4 in May, up from 51.1 in April and above the neutral 50.0 threshold for the ninth consecutive month. Furthermore, the latest reading indicated that operating conditions improved at the quickest rate in the survey history.

Reflective of strengthening demand conditions, output at Indonesian manufacturers rose in May. Growth of production was solid and the joint-fastest in the series history (on par with October 2011). Moreover, the latest increase ended a two-month sequence of reduction.

May data indicated that new orders placed with Indonesian manufacturing firms rose further, marking an eight-month period of expansion. Furthermore, incoming new work increased at a robust pace that was the most pronounced since data collection began in April 2011. Anecdotal evidence highlighted stronger demand and the successful launch of new product lines.

New business from abroad increased for the fifth successive month in May, amid reports of higher demand from key export clients. Although slight, the rate of expansion was the fastest in one year.

In line with strong new order growth, input buying rose in May. Furthermore, quantities of purchases increased at a marked pace that was the quickest in one-and-a-half years. Subsequently, pre-production stocks were accumulated at the fastest rate in 33 months. Holdings of finished goods also expanded, albeit marginally.

Amid evidence of higher prices paid for metals, plastics, paper, textiles, food and energy, average purchase costs faced by Indonesian goods producers continued to increase in May. That said, the overall rate of cost inflation moderated to the weakest in 11 months and was below the series average.

Concurrently, factory gate charges were raised further in May. The rate of inflation was, however, the slowest since August last year, weaker than the series average and well below that seen for costs.

Meanwhile, payroll numbers fell in May, following a marginal increase seen one month previously. Where employment declined, this was linked by survey respondents to the non-replacement of voluntary

leavers and, to a lesser extent, shortages of skilled labour.

Comment

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

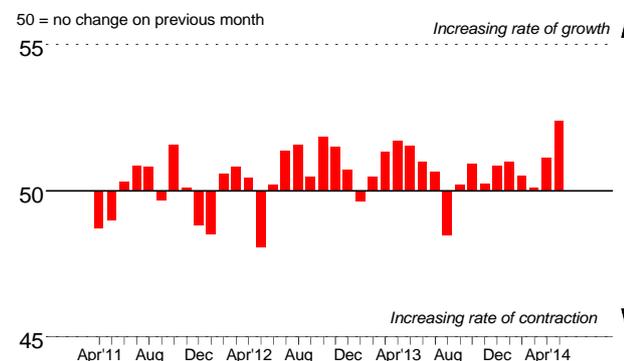
"The record-high print in the May PMI appears to have come on the back of a broad-based improvement in domestic activity. Although new export orders expanded, growth of overall new orders was also at a record high, suggesting that domestic orders were an even larger factor behind the strong PMI reading. Various other indicators such as work backlogs also recovered marginally, suggesting that the slack in capacity experienced by firms these past few months may be starting to narrow. Against this backdrop both input and output price inflation continued to cool. In the months ahead, a persistence of the trends seen in the May PMI would signal that the policy-induced slowdown in domestic activity is starting to bottom-out."

Key points

- Incoming new work increases at strongest pace in series history
- Solid expansion of output volumes
- Faster rise in purchasing activity

Historical Overview

HSBC Indonesia PMI



Sources: 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

Joanna Vickers, Corporate Communications
Telephone +44-2072-602-234
E-mail: joanna.vickers@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 diversified provider of financial information services. We provide products that enhance transparency, reduce risk and improve operational efficiency. Our customers include banks, hedge funds, asset managers, central banks, regulators, auditors, fund administrators and insurance companies. Founded in 2003, we employ over 3,000 people in 11 countries. For more information please see www.markit.com

About PMI:

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

The intellectual property rights to the HSBC Indonesia Manufacturing PMI™ provided herein are owned by or licensed to Markit Economics Limited. Any unauthorised use, including but not limited to copying, distributing, transmitting or otherwise of any data appearing is not permitted without Markit's prior consent. Markit shall not have any liability, duty or obligation for or relating to the content or information ("data") contained herein, any errors, inaccuracies, omissions or delays in the data, or for any actions taken in reliance thereon. In no event shall Markit be liable for any special, incidental, or consequential damages, arising out of the use of the data. Purchasing Managers' Index™ and PMI™ are either registered trade marks of Markit Economics Limited or licensed to Markit Economics Limited. HSBC use the above marks under license. Markit is a registered trade mark of Markit Group Limited.