

HSBC Indonesia Manufacturing PMI™

PMI falls to new survey low during February

Summary

Indonesia's manufacturing sector continued to contract during February, and at a slightly accelerated pace. Output and new orders were the primary drags on overall performance, with both falling at survey-record rates. With backlogs of work also falling, staffing levels were cut, the seventh successive month that this has been the case.

On the price front, a strengthened dollar meant that the price of imported goods continued to rise, pushing input costs up further. However, competitive pressures meant that manufacturers were able to only pass on a limited proportion of their higher operating expenses to clients.

The headline HSBC *Purchasing Managers' Index*™ (PMI™) – a seasonally adjusted gauge designed to give an accurate overview of manufacturing operating conditions – slipped to 47.5 in February, down from January's 48.5 and slightly lower than December's 47.6. The latest reading was therefore the lowest recorded in the survey history, and the PMI has now posted below the 50.0 no-change mark that separates growth from contraction for five months in succession.

Both output and new orders declined in February for the fifth month in succession, with the rates of contraction in each case the fastest in nearly four years of data collection. There were reports that weak demand – undermined by high prices – was the primary factor pushing orders (and subsequently) output down during the latest survey period. Orders from abroad also fell, with February's survey indicating another marked reduction in new orders from abroad during the month.

Supporting anecdotal evidence of increased prices, latest data showed both input costs and output charges were rising during the latest survey period. Amid reports that a strong US dollar was raising the price of imported goods, average prices paid for inputs continued to increase at a marked pace despite the rate of inflation dropping to a five-month low. Output prices also increased at the slowest rate since last September as competitive pressures weighed on pricing power.

With some pressure on margins, and at a time when orders and output were both falling, Indonesian manufacturers chose on average to shed staff in February. Latest data showed a seventh successive monthly reduction in employment, reflective in part of the non-replacement of leavers.

Despite a cut in labour capacity, manufacturers were again able to make some inroads into their work outstanding. Backlogs have now fallen for nine months in succession, with the latest reduction the sharpest since August of last year.

Indonesian manufacturers also made cuts to their purchasing activity during the latest survey period. February marked the fifth time in the past seven months that a fall in purchasing has been recorded, with the latest decline the sharpest for 18 months..

Comment

Commenting on the Indonesia Manufacturing PMI™ survey, Paul Smith, Senior Economist at Markit said:

"In line with the trend of recent months, activity in the manufacturing sector continues to soften with the PMI dropping to a new survey low in February.

"As new orders fell at a survey-record pace, reflective in part of rising prices negatively weighting on demand, the near-term outlook for the sector remains a little underwhelming. Accordingly, manufacturers responded by cutting their staffing levels further during February."

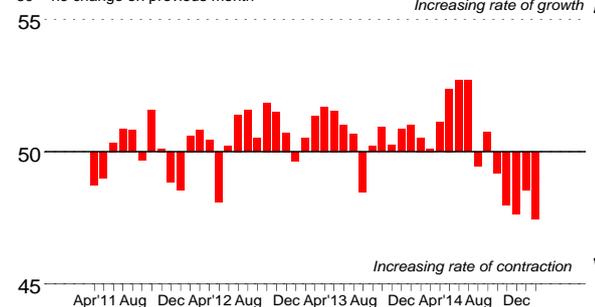
Key points

- Output and new orders both decline at record rates
- Reports of high prices due to strong US dollar
- Jobs cut for seventh month in succession

Historical Overview

HSBC Indonesia PMI

50 = no change on previous month



Sources: Markit, HSBC.

For further information, please contact:

HSBC

Su Sian Lim, ASEAN Economist
Telephone: +65-6658-8783
Email: susianlim@hsbc.com.sg

Mutiara Asmara, SVP External Communication
Telephone: + (62-21) 3040 5386
Mobile: + (62-87) 887570128
Email: mutiaraasmara@hsbc.co.id

Markit

Paul Smith, Senior Economist
Telephone: +44-1491-461-038
Email: paul.smith@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 more than 6,200 offices in both established and emerging markets, we aim to be where the 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 52 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 74 countries and territories in Europe, the Asia-Pacific region, the Middle East, Africa, North America and Latin America.

Listed on the London, Hong Kong, New York, Paris and Bermuda stock exchanges, shares in HSBC Holdings plc are held by about 216,000 in 129 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 10 countries. Markit shares are listed on NASDAQ under the symbol “MRKT”. 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.