

## HSBC India Manufacturing PMI™

Expansion of Indian manufacturing sector weakest in ten months

### Summary

The seasonally adjusted HSBC Purchasing Managers' Index™ (PMI™) – a headline index designed to measure the overall health of the manufacturing sector – posted 55.1 in September, decreasing from August's reading of 57.2. The latest PMI pointed to a marked strengthening in business conditions in the Indian manufacturing sector, although the extent of the improvement was the weakest in ten months.

A marked rise in new order volumes was reported in September, with panellists attributing this to generally better global economic conditions. However, growth in overall new business intakes slowed for a second successive month to the weakest since November 2009. Similarly, new export orders also rose at a slower rate in September.

The overall increase in new business supported a rise in output. Although reflective of the slowdown in new order growth, the latest expansion in production was also weaker. A further increase in backlogs of work at manufacturers in India suggested that pressures on production capacity continued. Stocks of finished goods fell marginally, due to higher new order volumes.

Despite gains in new orders and outstanding business, employment in the Indian manufacturing sector decreased in September for a third successive month. Anecdotal evidence suggested that employees leaving companies were not being replaced. However, the decline in staffing levels remained marginal.

Purchasing activity rose markedly during September, reflective of sustained growth in new orders and output. Manufacturers also continued to increase stocks to accommodate higher production requirements.

September data signalled a marked rise in input costs faced by manufacturers in India. Input price inflation has now been sustained for a year-and-a-half. A further increase in raw material prices predominately drove the latest increase in costs, which was faster than that indicated in August. Nonetheless, output prices rose at a weaker rate in September, with strong competition for new business limiting the extent to which charges could be increased.

### Comment

Commenting on the India Manufacturing PMI survey, Frederic Neumann, Co-Head of Asian Economics Research at HSBC said:

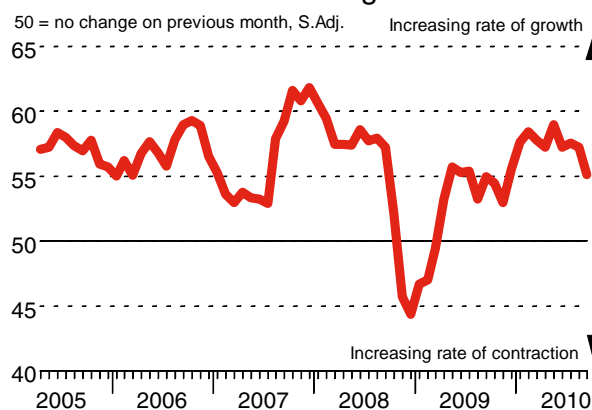
*"The manufacturing sector shows signs of cooling after a red-hot pace earlier in the year. Capacity constraints may be partly responsible for this, in addition to the fading fiscal stimulus. Overall, however, growth remains solid, and the monetary authorities cannot afford to let down their guard just yet. While output price pressures eased, firms are reporting again accelerating input costs. Moreover, backlogs of work remain high, suggesting that there is still little slack in the industrial sector."*

### Key points

- New order growth remained marked, but slowed for second successive month.
- Strong rise in output failed to boost employment.
- Rising raw material prices drove input prices higher at stronger pace.

### Historical Overview

#### HSBC India Manufacturing PMI



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### Notes to Editors:

The HSBC India Report on Manufacturing is based on data compiled from monthly replies to questionnaires sent to purchasing executives in over 500 manufacturing companies. The panel is stratified geographically and by Standard Industrial Classification (SIC) group, based on regional and industry contribution to Indian Industrial Production. 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](mailto:economics@markit.com).

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### About PMIs:

Now available for 26 countries and key regions including the Eurozone and BRIC, Purchasing Managers' Indexes™ (PMIs™) have become 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](http://www.markit.com/economics).

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