**HSBC Purchasing Managers' Index™ 2010**

compiled by markit

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# HSBC India Manufacturing PMI™

## Strongest growth of Indian manufacturing sector for six months in November.

**Key findings:**
- Stronger rise in new exports drove wider growth.
- Staffing levels down slightly.
- Inflationary pressure built further, with both input and output prices rising at stronger rates.

November survey data, compiled by Markit for HSBC, signalled a marked strengthening of business conditions in the Indian manufacturing sector. A substantial rise in incoming new business supported the latest growth in output and the headline PMI. Despite pressures on operating capacity being sustained, employment failed to rise. Meanwhile, input cost inflation accelerated again, driven by higher raw material prices. This led to a further rise in charges.

The seasonally adjusted HSBC Purchasing Managers' Index™ (PMI™) – a headline index designed to measure the overall health of the manufacturing sector – posted 58.4 in November, rising from October's reading of 57.2. The latest PMI pointed to a marked expansion of the Indian manufacturing sector. The rate of growth accelerated for a second successive month and was above the long-run average for the series.

Incoming new business received by manufacturers in India increased substantially during November. Moreover, the latest expansion in new order volumes was the strongest in four months. Panellists also indicated a marked rise in new export business during the month. Growth of new work intakes received from overseas markets increased sharply from October's eleven-month low to the fastest since January.

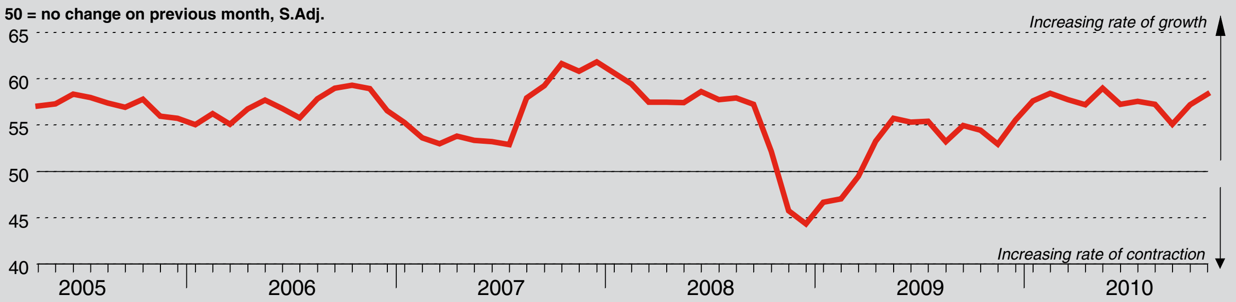
The steep expansion in overall new order volumes drove a further rise in output. The latest growth in production was the strongest in nine months, and robust in the context of historical data. Nonetheless, backlogs of work continued to increase, with November's accumulation of outstanding business in line with the series high recorded in June. Stocks of finished goods rose for a second successive month in November. However, the increase was marginal, with the majority of panellists noting that post-production inventories were unchanged since October.

Despite sharp rises in new orders and output, and a further accumulation of backlogs, employment in the Indian manufacturing sector decreased slightly in November. Whilst some manufacturers were aiming to increase employment to boost capacity levels, other companies were finding that staff were leaving for higher wages elsewhere.

Purchasing activity at manufacturers increased markedly in November, contributing to a record deterioration in vendor performance. Panellists also commented that shortages of certain materials had added to the delays. Stocks of purchases also increased during the month, with manufacturers attributing this to higher output requirements.

November data signalled a substantial rise in input prices faced by manufacturing companies in India. An increase in raw material prices drove the latest rise in costs, which was the fastest in six months. Charges also increased in November, with output price inflation now sustained since September 2009.

HSBC India Purchasing Managers' Index™ (PMI™)




The HSBC India 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.

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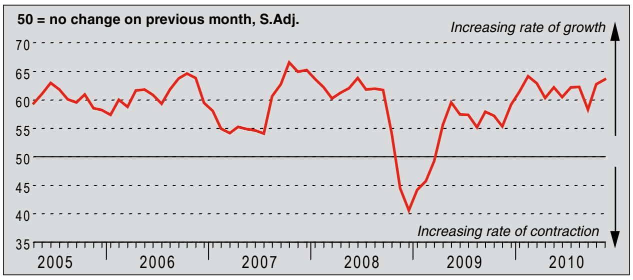
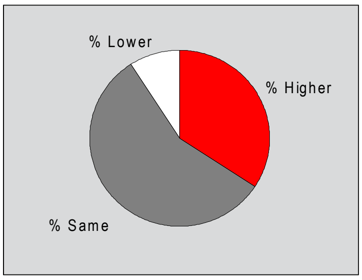
## Output Index

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

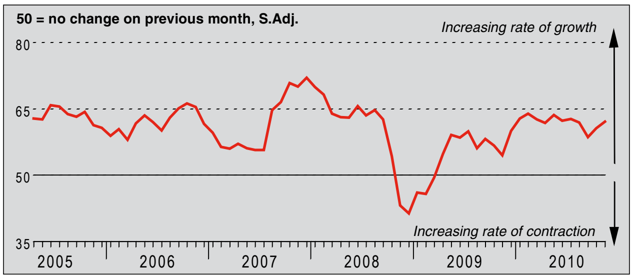


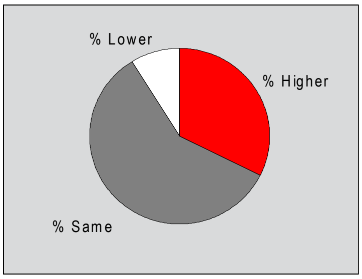




Output in the Indian manufacturing sector increased substantially during November, extending the sequence of sustained expansion to twenty months. The rate of output growth accelerated for a second successive month to the fastest since February, and was above the long-run average for the series. Approximately 34% of panellists indicated that output had increased over the month, generally attributing this to a further expansion in new order volumes.

## New Orders Index

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

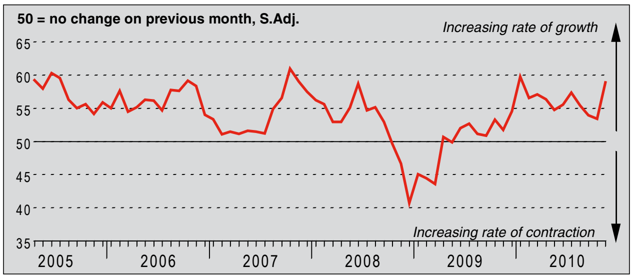


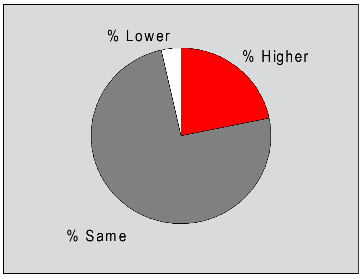




November data signalled a substantial rise in incoming new business received by manufacturers in India, with the latest expansion the strongest in four months. Panellists reporting an increase in new orders cited ongoing improvements in general economic conditions as the main contributor. Some panellists added that the high quality of their products had helped to boost sales. New order volumes have now increased in each month since April 2009.

## New Export Orders Index

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

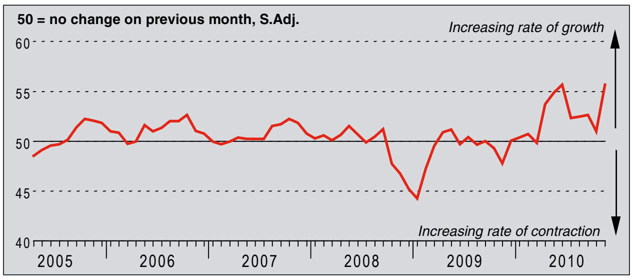


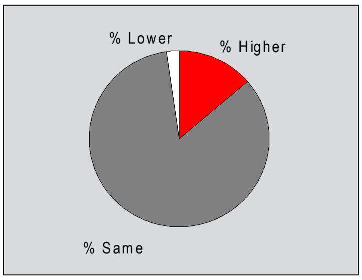




Indian manufacturers reported a marked rise in new business received from overseas during November. Moreover, the rate of growth accelerated sharply from October's eleven-month low to the fastest since January, and was notably steep in the context of historical data. Anecdotal evidence suggested that ongoing improvements in global economic conditions had boosted demand from overseas, with the latest increase in new export orders the eighteenth in consecutive months.

## Backlogs of Work Index

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

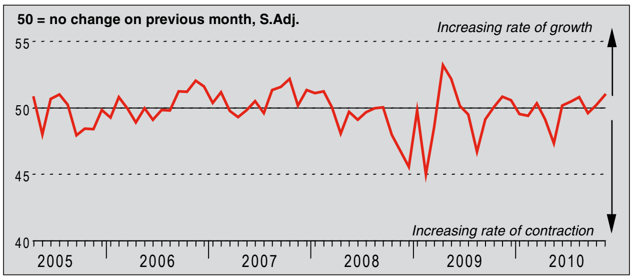


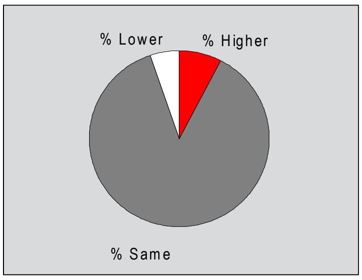




Backlogs of work at manufacturers in India increased markedly during November, signalling that pressures on operating capacity persisted. Moreover, the extent to which outstanding business accumulated accelerated since October, and was in line with the series high recorded in June. Approximately 14% of panellists indicated that backlogs of work had increased during the month, commenting that higher new order volumes had contributed to the latest rise in outstanding business.

## Stocks of Finished Goods Index

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

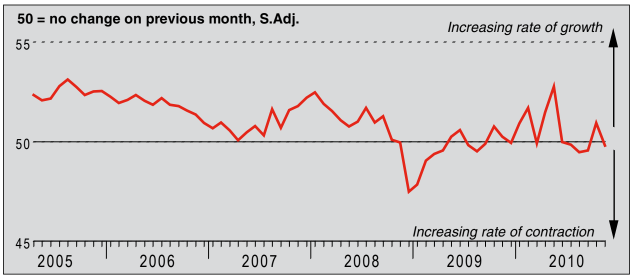


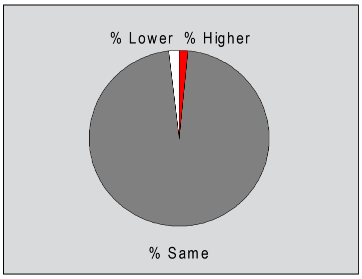




Manufacturers in India reported a marginal rise in stocks of finished goods during November. This was the second successive month where a rise in post-production inventories has been recorded, with the rate of accumulation accelerating over the month. However, in line with the marginal increase reported, the majority of panellists (approximately 87%) noted that post-production inventories were unchanged since October.

## Employment Index

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

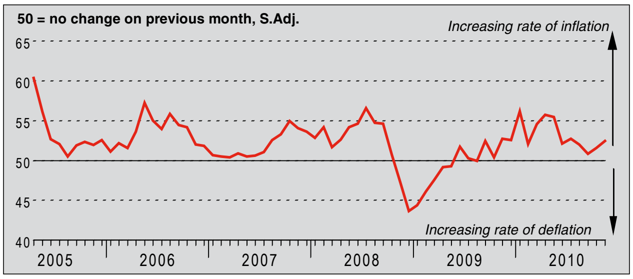


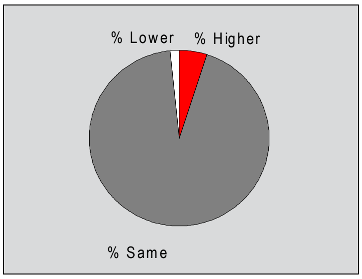




The seasonally adjusted Employment Index posted slightly below the 50.0 no-change threshold in November, signalling a marginal reduction in job numbers. Whilst some manufacturers aimed to boost staffing levels, others indicated that employees were leaving for higher wages elsewhere. The vast majority of panellists (approximately 97%) noted that employment was unchanged since October.

## 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.

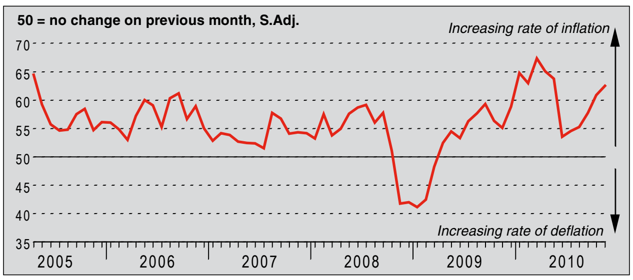


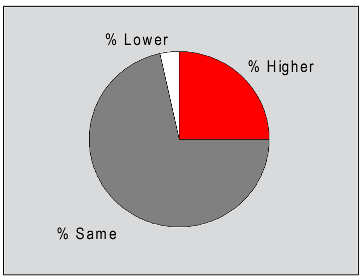




November data signalled a solid rise in charges in the Indian manufacturing sector. Moreover, the rate of output price inflation accelerated for a second successive month to the strongest since July. Anecdotal evidence suggested that higher input costs had driven the latest increase in charges. Output price inflation has now been recorded in each month since June 2009, with the latest increase broadly in line with the long-run series average.

## Input Prices Index

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

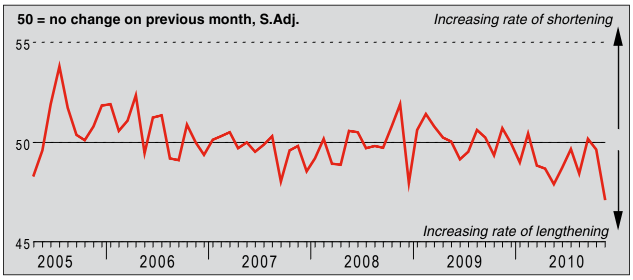


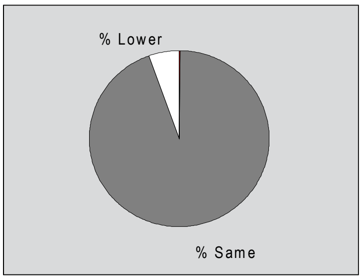




Input prices faced by manufacturing companies in India increased substantially during November. The latest rise in input costs was the strongest in six months and notably sharp in the context of historical data (input cost inflation in the first five months of 2010 and during April 2005 were the only other survey periods to have outpaced November's reading). Panellists commented that higher raw material prices predominately drove the latest rise in input costs.

## Suppliers' Delivery Times Index

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

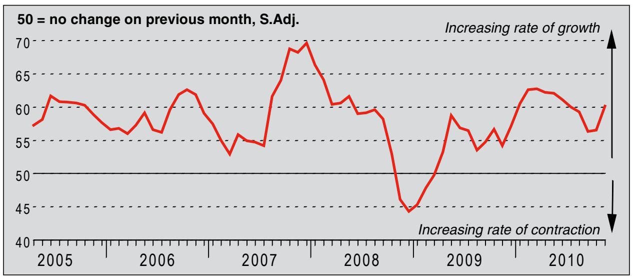


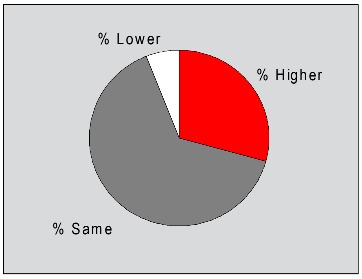




Manufacturers in India reported a lengthening in suppliers' delivery times during November, which was the second in successive months. Moreover, the latest deterioration in vendor performance was the strongest since data collection began in April 2005. Panellists commented that an increase in purchasing activity had tested capacity at suppliers, with shortages of certain materials compounding delays in deliveries.

## Quantity of Purchases Index

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

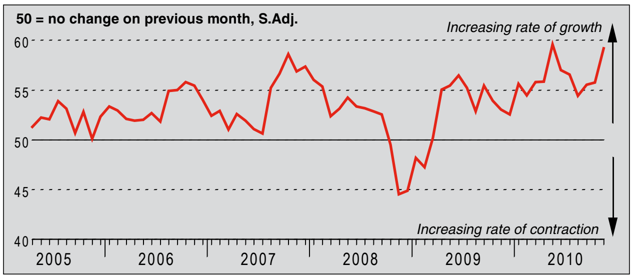


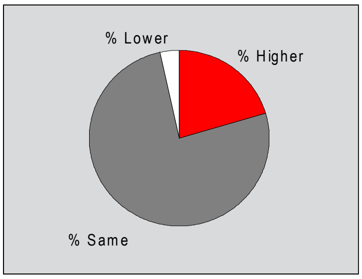




Purchasing activity at manufacturers in India increased substantially during November, with approximately 29% of panellists indicating a rise in input buying compared to the previous survey period. The latest increase in purchasing activity was the fastest in five months, reflecting the sharper expansion in incoming new business. Input buying has now increased for twenty successive months, with the latest rise strong in the context of historical data.

## Stocks of Purchases Index

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




November data signalled a marked rise in stocks of purchases at manufacturers in India. Pre-production inventories have been increasing continuously since March 2009, with the latest rise the sharpest since May (which was the fastest in the series history). Panellists commented that the increase in pre-production inventories reflected a rise in incoming new business and subsequent higher output requirements.

## 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 around 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.

## Warning