

HSBC India Manufacturing PMI™

Strongest growth of Indian manufacturing sector for six months in November

Summary

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.

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.

Comment

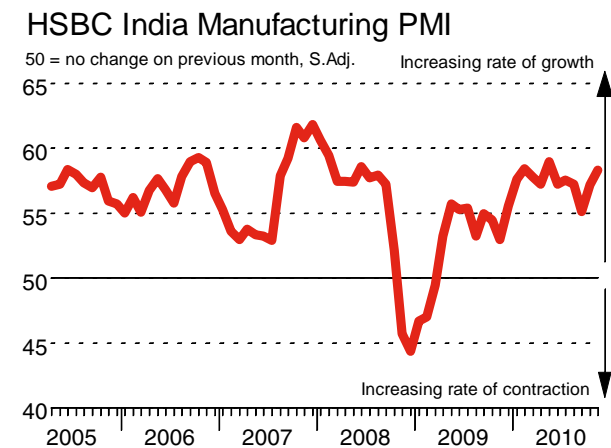
Commenting on the India Manufacturing PMI survey, Leif Eskesen, Chief Economist for India & ASEAN at HSBC said:

"The momentum in manufacturing picked up further in November. Output accelerated and growing order books point to a continued strong momentum in the months ahead. A spike in backlogs of works suggest tight capacity, which together with rising input and output prices underscores the need for continued monetary policy tightening by the Reserve Bank of India."

Key points

- 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.

Historical Overview



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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.

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