

HSBC India Services PMI™ (with Composite PMI data)

November PMI signalled fastest growth of Indian private sector economy in four months

Summary

November PMI data pointed to substantial growth of Indian private sector output, with the headline HSBC India Composite PMI posting 61.3, from 58.4 in October. Both the manufacturing and service sectors recorded marked expansions in activity, which were faster than in the previous survey period.

Indian service companies reported a marked rise in incoming new business received during November. The rate of growth accelerated solidly from October's seventeen-month low, and was the strongest since August. Manufacturers also indicated a sharp rise in new order volumes, which was faster than the long-run series average.

Despite the growth activity recorded during November, outstanding business in the Indian private sector increased. Manufacturers reported a marked rise in backlogs (suggesting that capacity was constrained), which more than offset a slight reduction in work in hand reported by service companies.

Overall employment in the Indian economy increased marginally during November. Despite the restrictions on operating capacity at manufacturers, headcounts fell slightly. However, service companies reported a modest rise in staffing levels, which supported the overall growth.

November data signalled a marked rise in input prices faced by companies in India. Rising costs have now been indicated in each month since April 2009. Input cost inflation in the manufacturing sector was notably sharp in the context of historical data.

The increase in input costs led Indian companies to raise charges during November, after output prices had remained largely unchanged in the previous month. The latest rate of charge inflation was the strongest in three months, and above the long-run series average.

Indian service companies remained optimistic in November that business activity would increase over the next twelve months. Panellists commented that they expect ongoing improvements in general economic conditions, as well as marketing initiatives and the high quality of services offered, to boost activity.

Comment

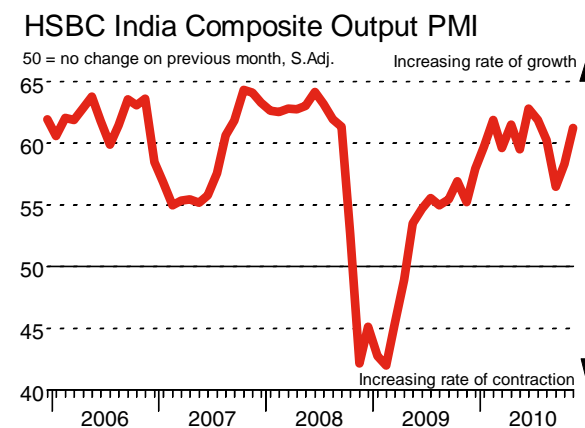
Commenting on the India Services PMI survey, Leif Eskesen, Chief Economist for India & ASEAN at HSBC said:

"This was a strong showing for the Indian service sector, with activity picking up nicely in November and businesses more optimistic about the future. The pick-up in activity was led by new business and it led to increased hiring. With the manufacturing PMI also coming in strong in November, the broader economy is clearly on firm footing. However, prices are going north, highlighting the need for a resumption of monetary policy tightening in early 2011."

Key points

- New order growth accelerated in both manufacturing and service sectors.
- Overall employment rose for a second successive month, driven by increased headcounts at service companies.
- Output prices rose in the Indian economy, having remained broadly stagnant in October.

Historical Overview



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Notes to Editors:

The HSBC India Services PMI is based on data compiled from monthly replies to questionnaires sent to purchasing executives in around 350 private service sector companies. The panel has been carefully selected to accurately replicate the true structure of the services economy.

The HSBC India Composite PMI is a weighted average of the Manufacturing Output Index and the Services Business Activity Index, and is based on original survey data collected from a representative panel of over 800 companies based in the Indian manufacturing and service sectors.

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'.

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.

The Purchasing Managers' Index (PMI) survey methodology has developed an outstanding reputation for providing the most up-to-date possible indication of what is really happening in the private sector economy by tracking variables such as sales, employment, inventories and prices. The indices are widely used by businesses, governments and economic analysts in financial institutions to help better understand business conditions and guide corporate and investment strategy. In particular, central banks in many countries use the data to help make interest rate decisions. PMI surveys are the first indicators of economic conditions published each month and are therefore available well ahead of comparable data produced by government bodies.

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:

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