HSBC Purchasing Managers' Index™ 2011

compiled by markit

Embargoed until: 10:30 (MUMBAI), 2 May 2011

HSBC India Manufacturing PMI™

Growth of Indian manufacturing sector sustained for twenty-fifth successive month.

Key findings:

- Sharpest expansion of output since February 2010, despite slightly weaker rise in new business.
- Backlogs continued to accumulate as production was hampered by labour, power and raw material shortages.
- Inflationary pressures eased, but remained strong in the context of historical data.

April survey data, compiled by Markit for HSBC, signalled a marked strengthening of business conditions in the Indian manufacturing sector. The rate of overall growth, while fractionally higher than in March, has remained broadly unchanged over the last three months. The expansion in new orders slowed slightly in April, but production rose at an accelerated rate. Furthermore, outstanding business accumulated again, indicating that pressures on operating capacity persisted. Subsequently, many companies were looking to increase employment, but shortages of available labour prevented this. Meanwhile, input costs continued to rise substantially, leading to another increase in charges. However, the extent of the increases in both input and output prices eased since March.

The seasonally adjusted HSBC Purchasing Managers' Index™ (PMI™) – a headline index designed to measure the overall health of the manufacturing sector – posted 58.0 in April, up fractionally from March's 57.9. The latest reading indicated marked growth of the Indian manufacturing sector, that was the fastest in five months.

Indian manufacturers reported a substantial rise in new business received during April. Ongoing improvements in market conditions and the high quality of goods produced were cited as the main drivers of growth. However, the rate of expansion eased slightly from last month's thirty-one month high. The increase in new export orders slowed to a three-month low.

Despite the weaker rate of overall new order growth, output expanded at an accelerated rate in April. Nonetheless, backlogs of work continued to accumulate, albeit at a slower pace than in March. Panellists commented that shortages of labour, power and raw materials had contributed to the increase in outstanding business.

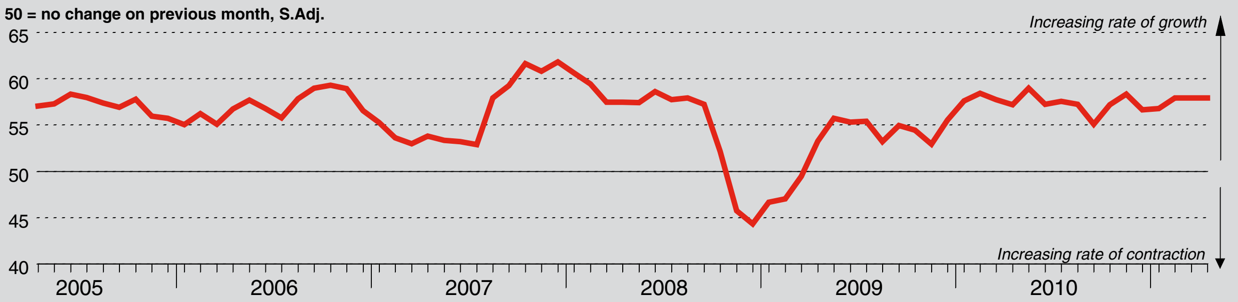
Finished goods stocks rose for a second successive month in April. However, the increase was only marginal, with the majority of respondents indicating that inventories were unchanged from the previous month.

Employment in the Indian manufacturing sector was unchanged in April. While many panellists commented that they were hoping to raise staffing levels, this was prevented by a lack of available labour.

Reflective of further growth of output in April, purchasing activity rose substantially at Indian manufacturers. The latest increase in input buying was the fastest since January 2008. Despite this, suppliers' delivery times were reported to have only lengthened marginally. Companies indicating a deterioration in vendor performance attributed this to shortages of raw materials.

Input prices faced by manufacturers in India rose sharply in April, with cost inflation now recorded for twenty-five months. The rate of increase slowed since March, but remained notably strong in the context of historical data. Subsequently, output prices also rose, with the latest increase above the long-run trend.

HSBC India Purchasing Managers' Index™ (PMI™)



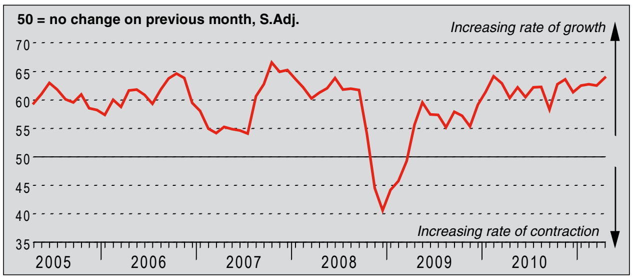
The HSBC India Purchasing Managers' Index (PMI) is a composite indicator designed to provide an overall view of activity in the manufacturing sector and acts as a leading indicator for the whole economy. The indicator is derived from individual diffusion indices which measure changes in output, new orders, 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.

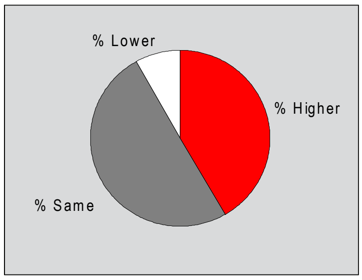
markit

HSBC The world's local bank

Output Index

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

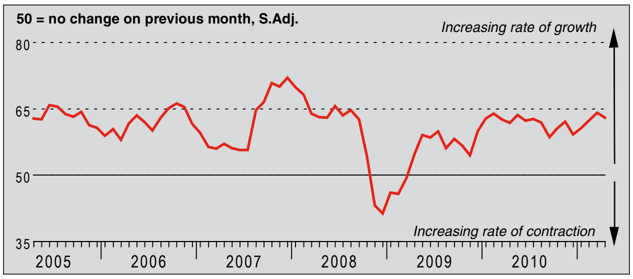


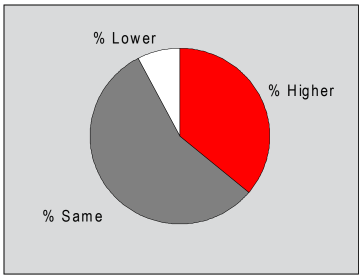


Output in the Indian manufacturing sector increased substantially during April, extending the sequence of sustained expansion to twenty-five months. Moreover, the rate of growth accelerated to the fastest since February 2010 and was strong in the context of historical data. Panellists attributed the latest expansion in output to a further rise in incoming new business.

New Orders Index

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

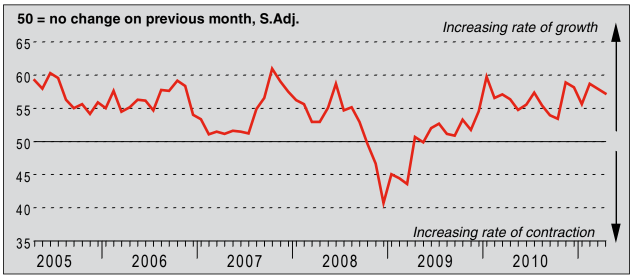


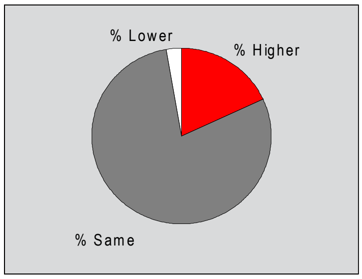


Indian manufacturers reported a marked rise in new orders received during April. Anecdotal evidence suggested that the latest increase in new business reflected ongoing improvements in market conditions and the high quality of goods produced. The rate of new order growth slowed slightly from March's thirty-one month high, but remained above the long-run series average. New business has now expanded 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.

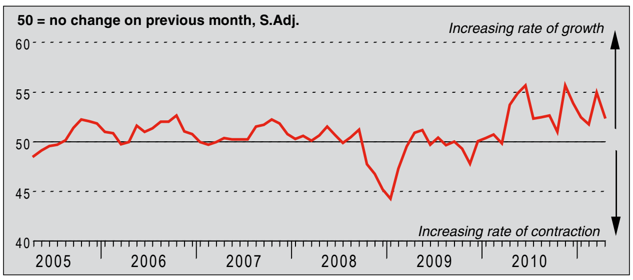


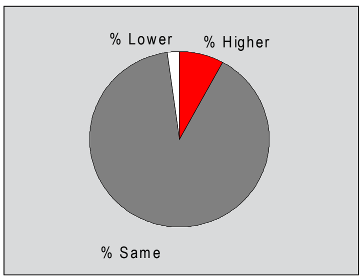


New export business received by manufacturers in India increased markedly during April, with growth now recorded in each survey period since June 2009. Approximately 18% of panellists noted that new orders received from export markets were higher than in March, attributing this to a further improvement in global economic conditions. April's expansion of new export orders was the weakest in three months, but remained above the historical average.

Backlogs of Work Index

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

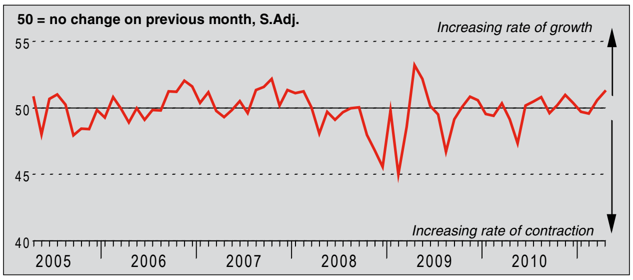


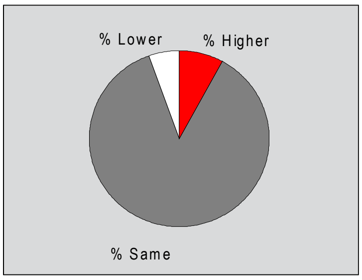


Backlogs of work at factories in India increased modestly during April, indicating that operating capacity was constrained during the month. Panellists commented that labour, power and raw material shortages had led to the rise in work in hand. Outstanding business has now increased in each of the past thirteen months, with the latest accumulation above the long-run trend. Nonetheless, the extent of the increase slowed solidly since March.

Stocks of Finished Goods Index

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

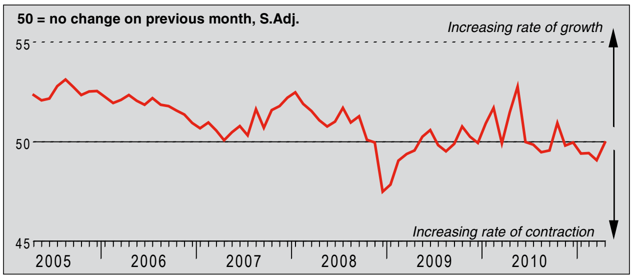


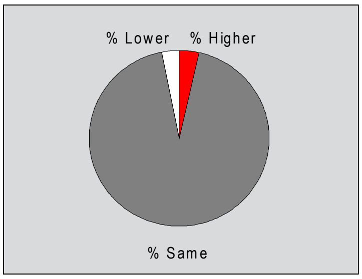


Indian manufacturers reported a modest rise in stocks of finished goods during April. This was the second successive month where an increase in post-production inventories was indicated, with the latest rise the strongest since May 2009. Panellists noting an accumulation of finished goods stocks commented that this reflected a rise in output. However, the majority of respondents (approximately 87%) indicated that post-production inventories were unchanged since March.

Employment Index

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

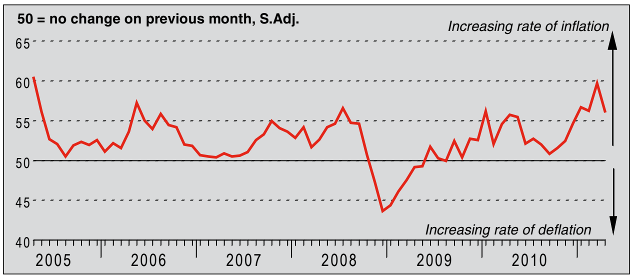


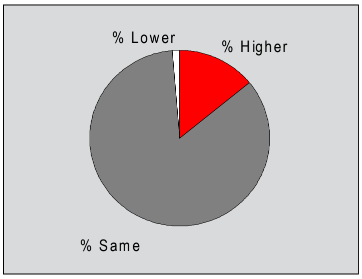


The seasonally adjusted Employment Index posted in line with the 50.0 no-change threshold during April, indicating that staff levels in the Indian manufacturing sector were unchanged from the previous month. This ended a three-month period of job cuts. Anecdotal evidence suggested that while some companies were aiming to boost employment due to further rises in output and new business, this was offset by a lack of availability of suitable workers.

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.

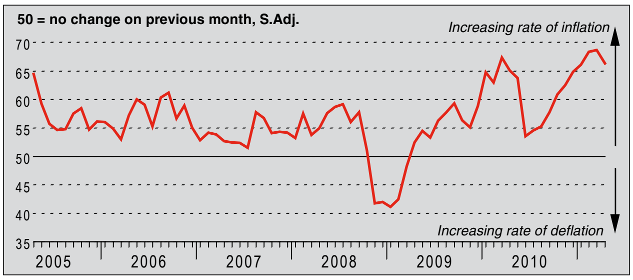


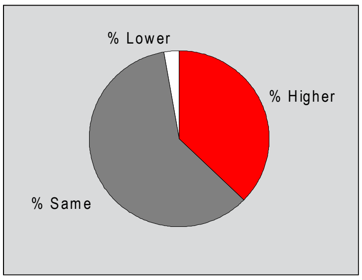


Indian manufacturers reported a marked rise in their charges during April, with output price inflation now recorded for twenty successive months. The extent of the latest increase in charges was weaker than that indicated in March (the second-fastest rise in the series history), but remained well above the long-run trend. Panellists commented that higher input costs contributed to April's increase in output prices, but the weaker rate of charge inflation reflected a slower rise in costs.

Input Prices Index

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

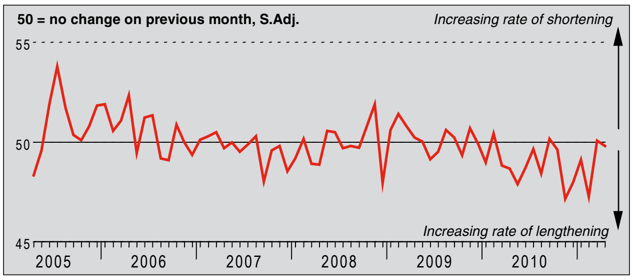


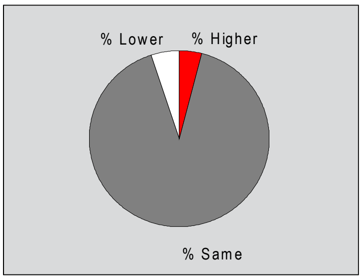


Input prices faced by manufacturers in India increased substantially during April. Anecdotal evidence suggested that a further rise in raw material prices had driven the latest increase in costs. The price of crude oil was particularly noted to have risen. While the rate of input cost inflation remained notably strong in the context of historical data, it eased slightly from March's series high. Input prices have now increased in each of the last twenty-five months.

Suppliers' Delivery Times Index

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

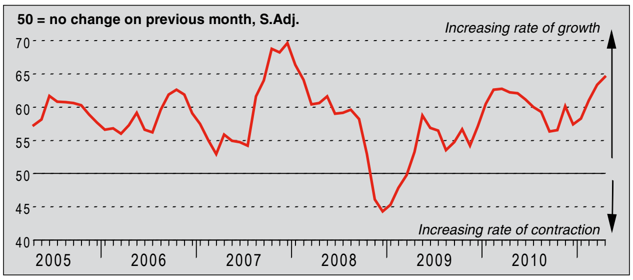


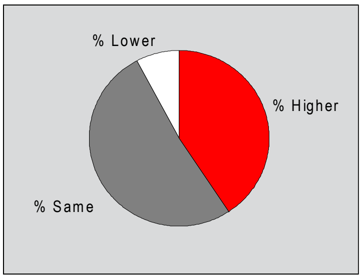


The seasonally adjusted Suppliers' Delivery Times Index posted slightly below the 50.0 no-change threshold in April, signalling a marginal lengthening of lead times. Respondents noting a deterioration in vendor performance commented that this predominately reflected shortages of raw materials. Lead times have now lengthened in six of the last seven months although, in line with the slight deterioration reported in April, the vast majority of panellists (approximately 91%) indicated that delivery times were unchanged since March.

Quantity of Purchases Index

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

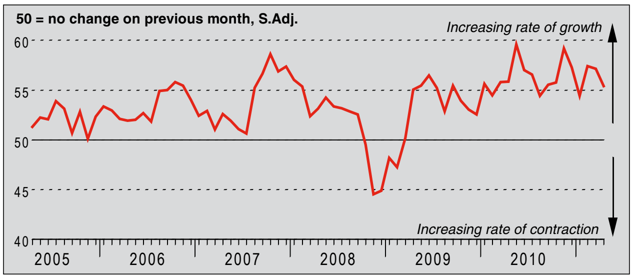


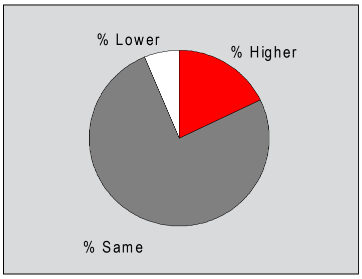


April data signalled a substantial rise in purchasing activity at manufacturers in India. Moreover, the rate of growth accelerated for a fourth successive month to the strongest since January 2008. Approximately 41% of panellists indicated that input buying at their companies was higher than in the previous survey period, attributing this to a further expansion of output requirements. Purchasing activity has now increased for twenty-five successive months.

Stocks of Purchases Index

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





Stocks of purchases held at manufacturers in India increased markedly during April, with rises now recorded in each month since March 2009. Anecdotal evidence suggested that companies had increased their pre-production inventories due to sustained growth of output requirements. The extent of the latest rise in stocks of purchases was the slowest in three months, but remained above the long-run series average.

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