compiled by markit

HSBC Purchasing Managers' Index™ Press Release
Embargoed until: 10:30 (MUMBAI), 2 May 2011

HSBC India Manufacturing PMI™

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

Summary

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.

Comment

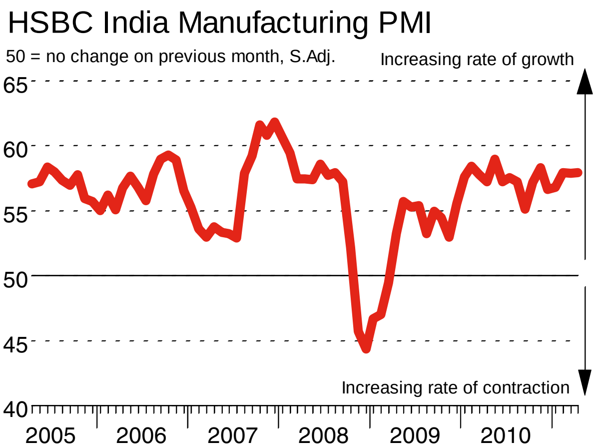
Commenting on the India Manufacturing PMI survey, Leif Eskesen, Chief Economist for India & ASEAN at HSBC said:

"The momentum in the manufacturing sector picked up again in April, albeit only slightly. The uptick was driven by stronger readings for output and employment growth. Given the strong momentum, backlogs of work are still building and supplier delivery times are lengthening, although only marginally in the latter case. On the inflation front, we finally saw a deceleration in the sequential growth rate of input costs and output charges, but the readings are still elevated by recent and historical standards. The numbers confirm that growth is not a concern and that the RBI can continue its tightening cycle uninterrupted."

Key points

- 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.

Historical Overview



markit

HSBC
The world's local bank

For further information, please contact:

HSBC

Leif Eskesen, Chief Economist for India & ASEAN
Telephone + 65-6239-0840
Email leifeskesen@hsbc.com.sg

Rajesh Joshi
Telephone +91-22-2268-1695
Email rajeshjoshi@hsbc.co.in

Neha Hora
Telephone +91-22-2268-5337
Email nehahora@hsbc.co.in

Markit

Sarah Ledger, Economist
Telephone +44-1491-461-050
Email sarah.ledger@markit.com

Caroline Lumley, Markit Press Office
Telephone +44-20-7260-2047 / +44-781-581-2162
Email caroline.lumley@markit.com

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.

HSBC:

HSBC is one of the largest banking and financial services organisations in the world, with a market capitalisation of US$180bn at 31 December 2010. We are headquartered in London. As 'The world's local bank', we combine the largest global emerging markets banking business and a uniquely cosmopolitan customer base with an extensive international network and substantial financial strength. HSBC operates through long-established businesses and has an international network of some 7,500 offices in 87 countries and territories in six geographical regions; Europe, Hong Kong, Rest of Asia-Pacific, the Middle East, North America and Latin America.

About Markit:

Markit is a leading, global financial information services company with over 2,000 employees. The company provides independent data, valuations and trade processing across all asset classes in order to enhance transparency, reduce risk and improve operational efficiency. Its client base includes the most significant institutional participants in the financial marketplace. For more information please see www.markit.com.

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.