

## HSBC India Manufacturing PMI™

Indian manufacturing sector grows at slowest pace in two-and-a-half years

### Summary

The seasonally adjusted HSBC *Purchasing Managers' Index™ (PMI™)* – a headline index designed to measure the overall health of the manufacturing sector – posted 50.4 in September, down from August's 52.6. The latest reading pointed to a strengthening of operating conditions, although this was the weakest in the current two-and-a-half year sequence of growth.

Indian manufacturers reported a modest rise in new business received during September, extending the current period of expansion to 30 months. However, the rate of new order growth slowed for a sixth successive survey period. New work intakes from export markets fell in September, continuing the trend seen since July. While the rate of contraction eased slightly since August, it remained solid. The reduction in new export orders suggested that domestic demand provided the principal support to overall new business growth.

In line with the weaker increase in new orders, a slower rise in output was also recorded (the weakest in two-and-a-half years). Moreover, the degree to which output growth slowed was amongst the fastest in the survey history.

However, a further reduction in backlogs of work indicated that a degree of spare capacity persisted in the sector, while September data signalled a second successive decrease in employment in the Indian manufacturing sector. Anecdotal evidence suggested that, although weaker trends in production and new orders had impacted negatively on requirements for staff, there were also some reports that unfulfilled wage requests from employees had led to resignations.

Purchasing activity at manufacturers in India increased marginally in September, while suppliers' delivery times were reported to have lengthened (albeit only slightly). Where a deterioration in vendor performance was indicated, this was attributed to capacity constraints at suppliers, driven by labour shortages.

Input prices faced by Indian manufacturers rose substantially during September, reflective of higher raw material costs. The rate of input price inflation slowed since August to an 11-month low, but remained strong in the context of historical data. Charges increased at a marked rate that was broadly unchanged from the previous survey period.

### Comment

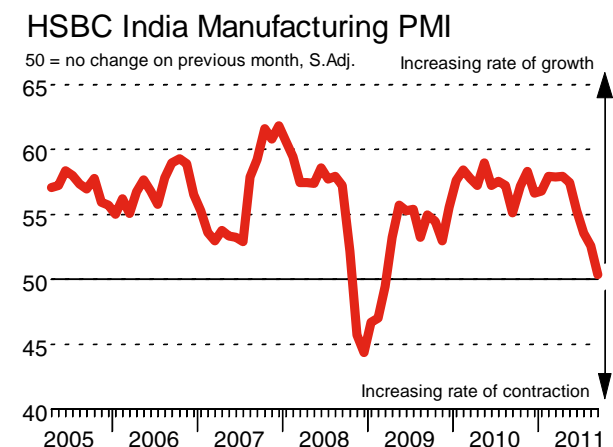
Commenting on the India Manufacturing PMI survey, Leif Eskesen, Chief Economist for India & ASEAN at HSBC said:

*"The growth momentum in India's manufacturing sector eased further in September. This was driven by weaker orders, with export orders still contracting due to the weaker global economic conditions. In turn, this further moderated the sequential growth rate of output and pulled down employment. While decelerating slightly, the readings for input and output prices suggest that inflation pressures remain firmly in place. While the persistent inflation pressures support RBI's tightening bias, the slowdown in manufacturing growth suggests that the end to the tightening cycle is at least now in sight."*

### Key points

- Headline PMI posts 50.4, from 52.6 in August; output growth at 30-month low
- New export business declines, while growth of overall new orders only modest
- Jobs cut at faster pace

### Historical Overview



## For further information, please contact:

### HSBC

Leif Eskesen, Chief Economist for India & ASEAN

Telephone + 65-6239-0840

Email [leifeskesen@hsbc.com.sg](mailto:leifeskesen@hsbc.com.sg)

Rajesh Joshi

Telephone +91-22-2268-1695

Email [rajeshjoshi@hsbc.co.in](mailto:rajeshjoshi@hsbc.co.in)

Neha Hora

Telephone +91-22-2268-5337

Email [nehahora@hsbc.co.in](mailto:nehahora@hsbc.co.in)

### Markit

Sarah Bingham, Economist

Telephone +44-1491-461-050

Email [sarah.bingham@markit.com](mailto:sarah.bingham@markit.com)

Rachel Harling, Corporate Communications

Telephone +44-20-7064-6283 / +44-782-789-1072

Email [rachel.harling@markit.com](mailto:rachel.harling@markit.com)

### Notes to Editors:

The HSBC India Manufacturing PMI 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 industry contribution to Indian GDP. 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](mailto:economics@markit.com).

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### About PMIs:

*Purchasing Managers' Index™ (PMI™)* surveys are now available for 32 countries and also for key regions including the Eurozone. They are 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](http://www.markit.com/economics).

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