

## HSBC India Manufacturing PMI™

Growth of Indian manufacturing output strengthens, but remains modest

### Summary

The seasonally adjusted HSBC *Purchasing Managers' Index™ (PMI™)* – a headline index designed to measure the overall health of the manufacturing sector – posted 52.0 in October, up from September's 50.4. The latest reading pointed to an improvement in business conditions in the Indian manufacturing sector. The rate of growth was modest, but stronger than in the previous survey period.

Indian manufacturers reported a solid rise in new business received during October. The rate of expansion accelerated since September to the strongest in three months. Panellists commented that this reflected a general improvement in client demand. However, the rate of new order growth remained below the historical average, which was, in part, due to a further decrease in new business received from export markets. Demand in key export countries continued to be affected by softening global economic conditions.

Output rose at a modest, but firmer, rate during October, in line with faster new order expansion. However, anecdotal evidence suggested that power outages had limited the extent of the rise in production. This was highlighted by an accumulation in levels of outstanding business and also a depletion of finished goods stocks, which were utilised to help fulfil order requirements. That said, both the accumulation of backlogs and the depletion of post-production inventories were marginal.

October data signalled a third successive reduction of employment in the Indian manufacturing sector. Respondents commented that increased salary demands from workers had made it difficult to fill vacant positions.

Purchasing activity rose solidly in October, and at a faster rate than in September. This was in line with stronger growth of new orders and output. Subsequently, a lengthening of lead times was reported. Panellists cited labour shortages at suppliers as the main contributor to longer lead times. Stocks of purchases increased in October.

Input prices faced by manufacturers in India rose substantially during October. The rate of cost inflation was broadly unchanged since September and strong in the context of historical data. Higher raw material and transport costs were the main drivers of the increase in costs. Output prices rose markedly, although the need to remain competitive limited the extent of the increase.

### Comment

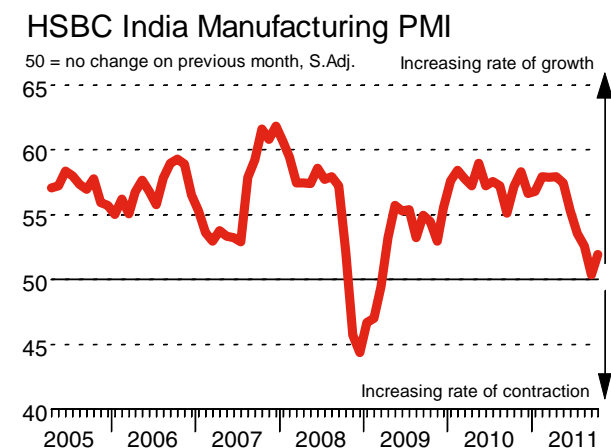
Commenting on the India Manufacturing PMI survey, Leif Eskesen, Chief Economist for India & ASEAN at HSBC said:

*"The Indian manufacturing sector rebounded in October, with rising orders pulling up output. Tight capacity is evident from rising backlogs of work, lengthening supplier delivery times and reported difficulties filling vacancies. Not surprisingly, input and output prices continued to rise at a rapid pace."*

### Key points

- Faster expansion of new business supports rise in production
- Backlogs of work up slightly as power shortages impact on output
- Inflationary pressures remain marked

### 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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