# **HSBC Purchasing Managers' Index™ Press Release**

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# HSBC India Manufacturing PMI™

# New orders grow strongly, but rate of expansion in output limited by power shortages

# **Summary**

The seasonally adjusted HSBC *Purchasing Managers'*  $Index^{TM}$   $(PMI^{TM})$  – a headline index designed to measure the overall health of the manufacturing sector – posted 54.9 in April, little-changed from 54.7 in March and signalling a solid improvement in operating conditions.

A combination of improved client demand and good quality products led to a further increase in new business at Indian manufacturers during April. Moreover, the rate of expansion was considerable, and faster than in March. Growth in new export orders also quickened during the month, and was marked.

Although manufacturing output increased, the rate of expansion slowed fractionally, and was the weakest in 2012 so far. Respondents indicated that higher new orders had led to the rise in output, but power cuts had prevented firms from increasing production at a faster rate.

Production issues contributed to another sharp increase in backlogs of work, with the pace of accumulation largely unchanged from March's series record. Power shortages were also reported to have impacted negatively on supplier performance in April, although delivery times were broadly unchanged over the month.

Employment rose for the fourth time in the past five months in April. That said, the latest increase in staffing levels was only modest. Where job creation was recorded, this was mainly linked to higher workloads.

The rate of cost inflation accelerated for the second month running in April, and was the sharpest since August 2011. Respondents largely attributed inflation to increased raw material costs, while higher taxes were also mentioned. Charge inflation also picked up, and was the third-fastest in the history of the series. Again, higher raw material costs and tax increases were highlighted by respondents, as they passed these on to their clients.

Higher workloads encouraged manufacturers to increase their purchasing activity in April. However, the rate of growth in input buying slowed to the weakest in four months, with respondents noting high prices for raw materials. As purchasing activity slowed, stocks of inputs fell for the first time since February 2009. Stocks of finished goods rose slightly during April, but at the weakest pace since last December.

#### Comment

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

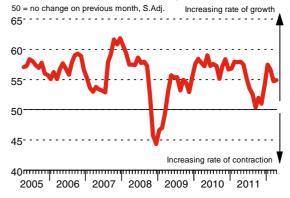
"Activity in the manufacturing sector expanded at a slightly faster pace in April. While output growth moderated, partly on the back of power outages, new orders continued to pour in, including for exports. Moreover, capacity remains tight, with backlogs of work still increasing, and inflation accelerated with both output and input prices rising faster. This suggests that upside risks to inflation remain and that the RBI's rate cut could turn out to have been premature and too aggressive."

#### **Key points**

- Output increases at weakest pace in 2012 so far
- New business growth accelerates
- Inflationary pressures strengthen

#### **Historical Overview**

# **HSBC India Manufacturing PMI**



Sources: Markit, HSBC.





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#### **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<sup>TM</sup> (PMI<sup>TM</sup>)* 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.

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