HSBC Purchasing Managers' Index™ Press Release

Embargoed until: 10:30 (Mumbai), 1 October 2012

HSBC India Manufacturing PMI™

Output rises at stronger rate in September

Summary

The seasonally adjusted HSBC Purchasing Managers' IndexTM (PMITM) – a composite indicator designed to give a single-figure snapshot of operating conditions in the manufacturing economy – posted 52.8 in September, unchanged from August's reading, and pointing to a further improvement in the health of the manufacturing sector.

Output expanded solidly and at a faster rate than August. Panel members linked the latest increase to stronger demand. Order book volumes increased for the forty-second successive month amid reports of stronger demand, good product quality and increasing marketing. New export orders increased for the first time since June. The pace of growth was solid. Anecdotal evidence indicated good product quality and stronger demand from international markets had supported the rise in foreign orders.

Manufacturing companies in India signalled an increase in purchasing activity during September. Despite posting a three-month high, the rate of growth was below its long-run trend. Almost one quarter of monitored companies signalled an increase in input buying and stated that it was intended to meet current and expected demand. Consequently, pre-production inventories were accumulated. Although moderate, the rate of expansion was the quickest in six months.

Stocks of finished goods increased, marking an 11-month sequence of accumulation. The rate of expansion was solid and broadly in line with June's 38-month high. According to manufacturing firms, post-production inventories were intentionally accumulated as demand is forecast to strengthen.

Input prices rose again, as has been the case since April 2009. The rate of inflation was steep and the fastest in three months. Increasing raw material and diesel prices were cited by panellists as factors behind purchase cost inflation. Additionally, there were mentions of short supplies of inputs. Manufacturers reportedly passed on to their clients the burden of rising costs as charges increased. Although marked, the pace of inflation was the slowest in six months.

Job creation was recorded in September, the seventh successive month of growth recorded. Panellists commented that payroll numbers were increased to meet stronger demand, with some signalling expansions in marketing departments. Meanwhile, power shortages continued to affect backlogs of work, which rose at a solid pace during the month.

Comment

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

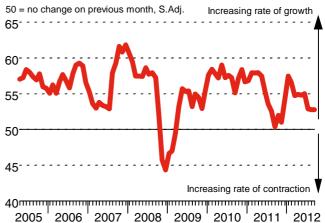
"Economic activity in the manufacturing sector held steady supported by faster output growth and rising export orders. However, a rise in inventories may dampen output growth in coming months. Employment conditions remain strong, although the pace of hiring eased a bit. The inflation picture was a bit mixed. Output prices rose somewhat less, but input prices rose at a faster clip on the back of higher raw material and diesel prices. Looking ahead, growth in the manufacturing sector is likely to remain subdued, although implementation of recently announced reforms will help facilitate a gradual recovery during the second half of the fiscal year."

Key points

- New orders increase for forty-second successive month
- First expansion in new export orders in three months
- Post-production inventories expand at similar pace to June's 38-month high

Historical Overview

HSBC India Manufacturing PMI



Sources: Markit, HSBC.





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

Pollyanna De Lima, Economist Telephone +44-1491-461-075 Email pollyanna.delima@markit.com Caroline Lumley, Corporate Communications
Telephone +44-20-7260-2047
Mobile +44-781-581-2162
Email caroline.lumley@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' IndexTM (PMITM)* 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 world's largest banking and financial services organisations. With around 6,900 offices in both established and faster-growing markets, we aim to be where the growth is, connecting customers to opportunities, enabling businesses to thrive and economies to prosper, and ultimately helping people to fulfil their hopes and realise their ambitions.

We serve around 60 million customers through our four global businesses: Retail Banking and Wealth Management, Commercial Banking, Global Banking and Markets, and Global Private Banking. Our network covers 84 countries and territories in six geographical regions: Europe, Hong Kong, Rest of Asia-Pacific, Middle East and North Africa, North America and Latin America. Our aim is to be acknowledged as the world's leading international bank.

Listed on the London, Hong Kong, New York, Paris and Bermuda stock exchanges, shares in HSBC Holdings plc are held by over 221,000 shareholders in 134 countries and territories.

About Markit:

Markit is a leading, global financial information services company with over 2,300 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 market place. For more information please see www.markit.com

About PMIs:

Purchasing Managers' IndexTM (PMITM) 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

The intellectual property rights to the HSBC India Manufacturing *PMI*[™] provided herein is owned by Markit Economics Limited. Any unauthorised use, including but not limited to copying, distributing, transmitting or otherwise of any data appearing is not permitted without Markit's prior consent. Markit shall not have any liability, duty or obligation for or relating to the content or information ("data") contained herein, any errors, inaccuracies, omissions or delays in the data, or for any actions taken in reliance thereon. In no event shall Markit be liable for any special, incidental, or consequential damages, arising out of the use of the data. *Purchasing Managers' Index*[™] and *PMI*[™] are trade marks of Markit Economics Limited, HSBC use the above marks under license. Markit and the Markit logo are registered trade marks of Markit Group Limited.