HSBC Purchasing Managers' Index™ Press Release

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compiled by markit

HSBC India Manufacturing PMI™

Output growth at five-month high in November

Summary

The seasonally adjusted HSBC Purchasing Managers' Index™ (PMI™) – a composite indicator designed to give a single-figure snapshot of operating conditions in the manufacturing economy – posted 53.7 in November, up from 52.9 in October. The latest reading indicated a further improvement in the health of the Indian manufacturing sector.

Output growth was signalled in the Indian goods-producing sector for the forty-fourth consecutive month. Furthermore, the rate of expansion was solid, and the fastest in five months. According to monitored companies, an increase in order book volumes combined with a depletion of post-production inventories resulted in higher output.

New orders and export sales both increased at manufacturing companies in India during November. Rates of expansion were solid. Whereas order book volumes expanded at the fastest rate since June, growth in new export orders was the sharpest in five months. Demand was reportedly stronger in both domestic and international markets.

Job creation was recorded in the Indian manufacturing sector in November for the ninth successive month. However, the pace of expansion was only slight. Meanwhile, the volume of work-in-hand (but not yet completed) increased amid reports of persistent powercuts. There was also evidence of labour shortages at some units. Backlog accumulation has been recorded in each of the past four months.

In line with higher input costs, prices charged by manufacturers in India increased during November. Rates of inflation were robust, and faster than in October. Anecdotal evidence suggested that higher raw material and diesel costs led to the latest increase in input prices.

Pre-production inventories at manufacturing firms in India increased in November, as has been the case since May. The rate of accumulation was marked and accelerated to the fastest since January. In contrast, post-production inventories fell for the second consecutive month. Stocks of finished goods decreased sharply, and at the fastest rate since February 2009.

Indian manufacturing companies increased their input buying during November, marking a 44-month sequence of expansion. The rise in quantity of purchases was solid and the fastest in five months, as panellists forecast ongoing growth of production requirements.

Comment

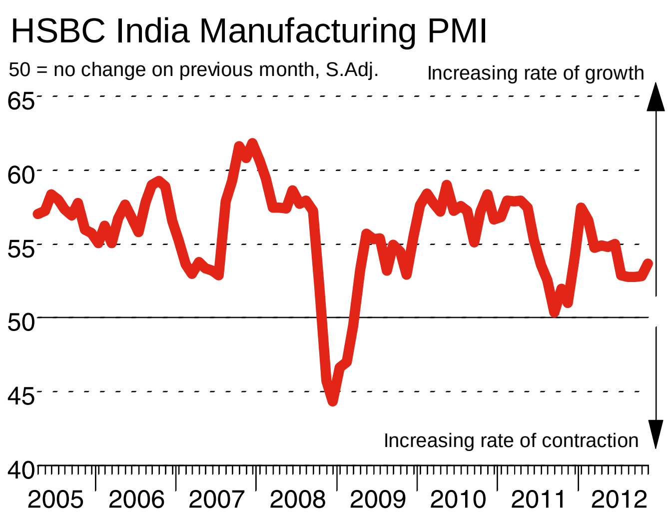
Commenting on the India Manufacturing PMI™ survey, Leif Eskesen, Chief Economist for India & ASEAN at HSBC said:

"The manufacturing sector gained momentum thanks to a strong pick up in new orders, which lifted output growth. However, output remains constrained by continued power shortages and stocks of finished goods were, consequently, drawn down again to meet the rise in demand. Nevertheless, backlogs of work still rose, although at a slower pace than in October. Unfortunately, inflation picked up again as higher raw material prices increased input costs for firms and they had enough pricing power to pass these on to end consumers due to the firm demand conditions. The PMI numbers suggest that the RBI should continue to abstain from easing."

Key points

- Fastest expansion in new orders since June
- Third successive monthly expansion in export sales
- Purchasing activity increases solidly

Historical Overview



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™ (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.

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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