

HSBC India Manufacturing PMI™

Output expands at fastest rate in six months

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 54.7 in December, up from 53.7 in November. The latest reading signalled a further improvement in the health of the Indian manufacturing sector.

Output at manufacturing companies in India rose during December, amid reports of higher order book volumes. With almost one-third of panellists indicating higher production and 18% noting a decline, the overall rate of growth was sharp and the fastest in six months. Growth has now been sustained for 45 successive months.

The volume of incoming new work at manufacturers in India increased in December. The rate of growth was sharp, and the fastest in six months. New export orders also expanded, and at a solid pace. Anecdotal evidence suggested that total new work rose in line with the launch of new products and strengthening demand.

December data signalled job creation in the Indian goods-producing sector, amid reports of higher production requirements. However, there were mentions that labour shortages and demand for higher salaries weighed on payroll numbers. Whereas 5% of monitored companies reported increased staffing levels, the majority (91%) indicated no change. Subsequently, the overall pace of expansion was only slight.

Manufacturers in India signalled higher backlogs of work during December, amid reports of persistent powercuts. The rate of accumulation was sharp, and the fastest in the series history.

Meanwhile, stocks of purchases rose, albeit moderately. Panel members increased their input buying in line with anticipated rises in demand. In contrast, post-production inventories fell for the third successive month, but only modestly.

Input prices in the Indian manufacturing sector rose for the forty-fifth consecutive month. According to monitored companies, the rise in input costs reflected increased raw material prices, stronger demand and unfavourable exchange rates. Consequently, average selling prices rose again.

Purchasing activity in the Indian manufacturing sector increased for the forty-fifth consecutive month in December. With 26% of panellists signalling higher input buying and 15% noting a fall, the overall pace of growth was sharp and the fastest since June.

Comment

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

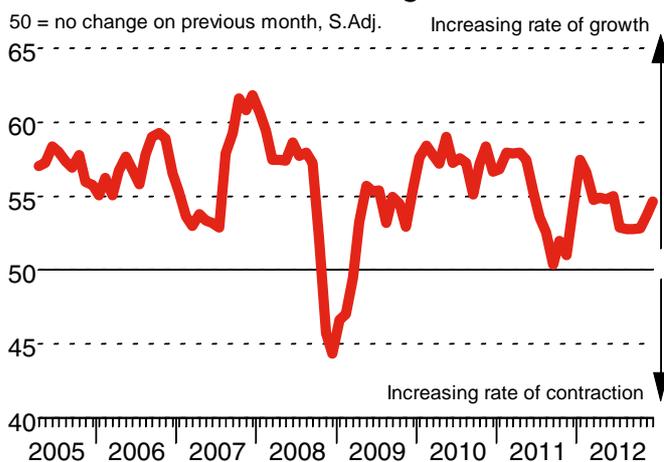
"Activity in the manufacturing sector picked up again led by faster output growth and a further uptick in new orders, which led to a faster increase in backlogs of work as companies struggled to keep up with demand. Moreover, final goods inventories' depletion continued, which suggests that output growth is likely to hold up in coming months. Inflation only eased marginally and survey respondents noted price pressures from rising raw material costs, firm demand, and the depreciated exchange rate. With growth picking up led by firmer demand, inflation pressures are likely to remain firm in coming months."

Key points

- Growth in new orders also at a six-month high
- New export orders expand solidly
- Purchasing activity increases for forty-fifth successive month

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™ (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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