HSBC Purchasing Managers' Index™ Press Release

Embargoed until: 10:30 (Mumbai), 1 March 2013

HSBC India Manufacturing PMI™

Manufacturing production increases as both domestic and international demand strengthens

Summary

The seasonally adjusted HSBC *Purchasing Managers' Index*TM (PMI^{TM}) – a composite indicator designed to give a single-figure snapshot of operating conditions in the manufacturing economy – posted 54.2 in February (up from 53.2 in January), to signal a further improvement in business conditions. Nevertheless, the index was below the long-run series average.

Reflective of higher levels of total new business, production in the Indian manufacturing sector rose during February. The pace of growth was solid, and faster than that seen in January. Almost 35% of monitored companies signalled increased output at their units, while 17% registered a fall.

As has been the case for almost four years, the volume of incoming new work at manufacturing firms in India rose during February. With approximately 29% of monitored companies reporting higher levels of new orders and 14% noting a decrease, the pace of expansion was solid. Anecdotal evidence suggested that new orders increased in line with stronger demand, maintained product quality and the launch of new products.

A further rise in export orders was recorded, amid evidence of stronger demand from international clients. Despite posting a solid increase, total export business grew at the slowest pace in the current six-month sequence of expansion.

Employment in the Indian manufacturing sector expanded slightly during February. Firms stated that payroll numbers were increased in tandem with higher production requirements. Nonetheless, backlogs of work rose during the month. However, the overall rate of accumulation was only moderate. According to panellists, higher levels of new orders and power shortages both fed through to the latest rise in unfinished business.

Continuing the trend that has been observed since April 2009, input prices increased in February, with the pace of inflation robust. Respondents indicated that raw materials including plastics and fuel all rose in price. Concurrently, output prices also increased. The rate of charge inflation was strong and the quickest in six months.

Pre- and post-production inventories at manufacturers in India both increased during February. The rate of accumulation for purchasing stock was solid, but only slight for finished goods.

Manufacturers increased their input buying during February, marking a 47-month sequence of expansion. Purchasing activity expanded solidly and at the quickest rate in nine months.

Comment

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

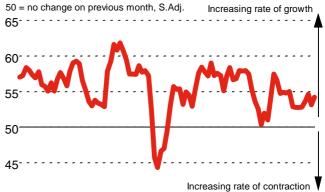
"Manufacturing activity picked up on the back of stronger growth in domestic orders. Together with some replenishment of inventories, this lifted growth in output and purchases. Inflation pressures, however, remain firm, with input cost inflation holding steady and inflation of output prices picking up. The numbers underscore that the room for monetary policy easing is limited, even with progress on fiscal consolidation."

Key points

- Output rises for forty-seventh consecutive month
- Solid growth in new orders
- Strongest rise in average selling prices since August 2012

Historical Overview

HSBC India Manufacturing PMI



40⁻⁻⁻⁻⁻2005 2006 2007 2008 2009 2010 2011 2012

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' 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.

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