

# HSBC India Manufacturing PMI™

## Indian manufacturing growth loses momentum in April

### Summary

Operating conditions in the Indian manufacturing economy improved further during April. However, the seasonally adjusted HSBC *Purchasing Managers' Index™ (PMI™)* – an indicator derived from individual diffusion indices measuring changes in output, new orders, employment, suppliers' delivery times and stocks of purchases – fell to 51.0, the lowest reading recorded since November 2011. The latest fall reflected weaker contributions from all five of its components.

Manufacturing production increased fractionally, following a solid rise registered over the first quarter of the year. Evidence suggested that persistent power shortages continued to hamper output, which increased at the slowest pace in the current 49-month expansionary sequence.

Growth in order book volumes was also sustained for the forty-ninth month running during April, amid evidence of firm demand and new product launches. Nonetheless, the overall rate of expansion was modest and the slowest since September 2011. New business from abroad also rose, marking an eight-month period of expansion. Despite being slight, the pace of growth was faster than in March.

Manufacturing companies in India bought a higher quantity of raw materials and semi-finished goods during April. Input buying increased solidly, but growth eased from March. The latest rise was the forty-ninth in successive months. Subsequently, pre-production inventories were accumulated, albeit slightly. Similarly, post-production inventories increased during April following a decline in March. The rate of accumulation was, however, only slight. Around 8% of monitored companies reported a higher stock of finished goods.

Payroll numbers in the Indian goods-producing sector increased during April, extending the current period of job creation to 14 months. That said, the rate of growth was slight and the slowest in the sequence. Surveyed firms linked the rise in employment levels to higher production requirements, but hiring was stymied by labour shortages.

Meanwhile, powercuts resulted in a further accumulation of unfinished business levels. Nevertheless, the rate of increase was slight and the slowest in the current nine-month sequence of expansion. Concurrently, vendor performance worsened, albeit to a lesser extent than in March. Monitored companies indicated that power outages, delayed payment to vendors and shortages of raw materials led to longer suppliers' delivery times.

Rates of input and output price inflation cooled during April. Average prices paid for inputs rose solidly, but at the slowest rate since June 2010. Competitive pressures, however, prevented firms from passing on to clients the full burden of cost inflation and factory gate prices increased moderately as a result. Moreover, the rate of charge inflation was the slowest registered in 30 months. Among other factors, panellists commented that raw materials in general had increased in price.

### Comment

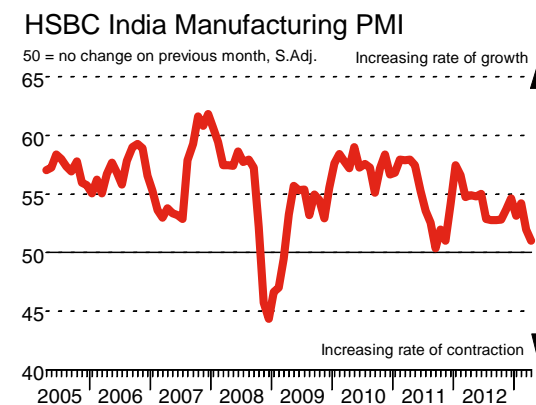
Commenting on the India Manufacturing PMI™ survey, Leif Eskesen, Chief Economist for India & ASEAN at HSBC said:

*"Manufacturing activity lost momentum again in April, with output growth slowing further on the back of a deceleration in domestic orders and continued power outages. Export orders, on the other hand, picked up. Encouragingly, input and output price inflation eased. With the growth momentum slowing and inflation receding, the RBI is likely to cut the policy rate this week."*

### Key points

- PMI falls to lowest reading since November 2011, but remains in positive territory
- Output rises at weakest pace in current 49-month period of expansion
- Modest increase in incoming new work

### 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](mailto: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](http://www.markit.com/economics)

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