

## HSBC India Manufacturing PMI™

### PMI indicates deteriorating manufacturing operating conditions for third month running

#### Summary

October data indicated falling levels of production and new orders in the Indian manufacturing economy, as the business climate within India remained tough. However, there was some positive news on the export front as foreign orders grew for the first time since July.

Unchanged from September's 49.6, the seasonally adjusted HSBC India Manufacturing *Purchasing Managers' Index*™ (PMI™) indicated a third, albeit marginal, successive deterioration of business conditions across India.

Reflective of a sustained reduction in order books, Indian manufacturers lowered their production volumes in October. Although modest, the pace of decline accelerated from September. Incoming new work also fell at a faster rate, with survey participants commenting on weaker demand and a difficult economic climate. Some firms indicated that the cyclone Phailin had also led to fewer numbers of new orders placed.

Encouragingly, export business expanded for the first time in three months during October. Anecdotal evidence suggested that the weaker rupee had boosted foreign demand in the latest month. The overall pace of growth was, however, moderate and weaker than the series average.

Latest data highlighted consumer goods as the best performing sector in October, with production, new orders and export business all rising. Conversely, intermediate goods was the worst performing category.

Despite reduced new orders, Indian manufacturers accumulated unfinished business in October. Backlogs of work rose at the quickest pace since July, amid evidence of powercuts. Meanwhile, buying activity fell for the third month running in October. Declines in the intermediate and capital goods categories offset growth recorded in the consumer goods sector.

Stronger new order flows at consumer goods manufacturers led firms to recruit additional workers in October. However, with investment and intermediate goods firms indicating job shedding, the overall rate of employment growth across the Indian manufacturing sector as a whole was marginal.

Inventory levels rose in October. Growth in post-production stocks accelerated to a moderate pace, while holdings of raw materials and semi-manufactured goods were accumulated for the first time in four months (although marginally).

Inflationary pressures persisted in October, with input cost inflation accelerating to a 16-month peak and selling prices rising at the fastest pace since February. Manufacturers commented that the weaker rupee had led to higher prices paid for imported raw materials and that additional cost burdens were partly passed on.

#### Comment

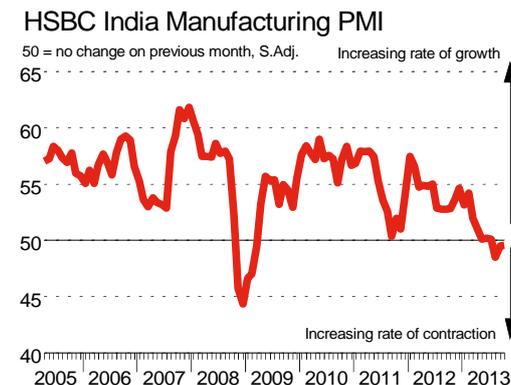
Commenting on the India Manufacturing PMI™ survey, Leif Eskesen, Chief Economist for India & ASEAN at HSBC said:

*"Manufacturing activity contracted for the third consecutive month in October. Order flows remain weak, despite a bounce-back in export orders after two months of decline. Moreover, businesses continue to cut back purchases and a rise in inventories suggest that output will remain subdued. Input price inflation accelerated further despite the weak growth backdrop, as the effects of the depreciated exchange rate continue to pass through. Saddled with additional costs, firms decided to lift output prices to protect margins. This suggests that the RBI has to continue its staring contest with inflation."*

#### Key points

- Headline index at 49.6, unchanged since September
- Rate of decline in output volumes accelerates
- New orders contract, but export business expands for first time in three months

#### Historical Overview



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](mailto:leifeskesen@hsbc.com.sg)

Rajesh Joshi

Telephone +91-22-2268-1695

Email [rajeshjoshi@hsbc.co.in](mailto:rajeshjoshi@hsbc.co.in)

Sejal Shah

Telephone +91-22-2268-1344

Email [sejal1shah@hsbc.co.in](mailto:sejal1shah@hsbc.co.in)

## **Markit**

Pollyanna De Lima, Economist

Telephone +44-1491-461-075

Email [pollyanna.delima@markit.com](mailto:pollyanna.delima@markit.com)

Caroline Lumley, Corporate Communications

Telephone +44-20-7260-2047

Mobile +44-781-581-2162

Email [caroline.lumley@markit.com](mailto: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' Index*<sup>™</sup> (*PMI*<sup>™</sup>) 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).

## **HSBC Holdings plc:**

HSBC is one of the world's largest banking and financial services organisations, with around 6,600 offices in both established and faster-growing markets. We aim to be where the economic 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 55 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 80 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 about 216,000 shareholders in 130 countries and territories.

### **About Markit:**

Markit is a leading, global financial information services company with over 3,000 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](http://www.markit.com)

### **About PMIs:**

*Purchasing Managers' Index*<sup>™</sup> (*PMI*<sup>™</sup>) 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)

**The intellectual property rights to the HSBC India Manufacturing *PMI*<sup>™</sup> 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*<sup>™</sup> and *PMI*<sup>™</sup> 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.**