

HSBC India Manufacturing PMI™

Manufacturing operating conditions improve at strongest pace in ten months

Summary

Indian manufacturers signalled a further improvement in operating conditions during January. The headline HSBC India Purchasing Managers' Index™ (PMI™) posted 51.4, up from 50.7 in December. The latest reading was the highest since March 2013, but pointed to a marginal pace of expansion that was well below the series average (55.1).

January saw new orders expand at the quickest rate in ten months, with survey participants reporting stronger demand from both domestic and overseas clients. Concurrently, new business from abroad grew at a solid pace that was the fastest since June last year. Subsequently, Indian manufacturers raised their production levels for the third successive month. The rate of output growth was solid and the strongest since February 2013.

Sector data indicated that consumer goods continued to outperform the remaining two monitored categories, while operating conditions deteriorated at capital goods producers. Growth rates for output and new orders in the consumer goods sub-category surpassed those seen at intermediate goods companies.

Employment rose for the fourth month running in January, with all three broad areas of the manufacturing economy posting job creation. Despite being slight, the overall rate of expansion was broadly in line with the long-run series average.

Companies operating in the Indian manufacturing sector signalled pressure on operating capacity in January, as backlogs of work increased solidly. Moreover, the latest increase in unfinished work was the eighteenth in as many months. All three market groups posted higher work-in-hand, with the sharpest increase noted at consumer goods firms. Meanwhile, supplier performance improved in the latest month for the first time since September 2013. Anecdotal evidence suggested that shorter delivery times reflected a greater availability of raw materials at vendors.

Amid reports of new business gains, purchasing activity in the Indian manufacturing economy rose at the start of 2014, although the pace of expansion was only slight and well below the series average. Growth of buying activity was largely centred on the consumer goods sub-sector. Pre-production stocks increased at consumer goods producers, but fell at both capital and intermediate goods firms. This resulted in an overall decline of stocks of purchases across the Indian manufacturing economy as a whole.

Average input costs rose in January, with manufacturers reporting higher prices for a range of raw materials, including metals, chemicals and energy. The rate of cost inflation remained robust. Consequently, companies raised their tariffs again. Although the strongest in three months, the latest rise in output charges was moderate and much weaker than seen for input costs.

Comment

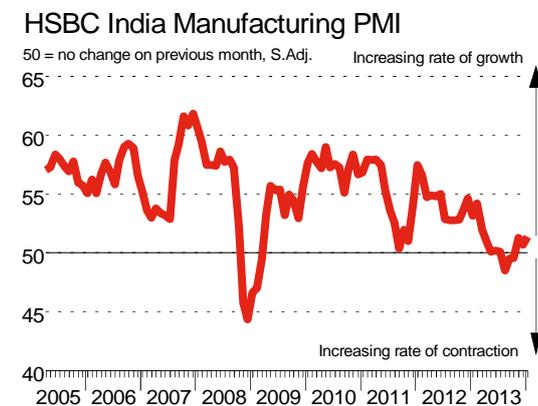
Commenting on the India Manufacturing PMI™ survey, Leif Eskesen, Chief Economist for India & ASEAN at HSBC said:

"Manufacturing activity moved into higher gear led my faster growth in new orders. However, inflation pressures also firmed, suggesting that the RBI has to keep up its inflation guards."

Key points

- PMI up from 50.7 to 51.4 in January
- Output expands solidly, as new order growth accelerates
- New export business increases at quickest pace since June 2013

Historical Overview



Sources: Markit, HSBC.

For further information, please contact:

HSBC

Leif Eskesen, Chief Economist for India & ASEAN

Telephone +65-6658-8782

Email leifeskesen@hsbc.com.sg

Rajesh Joshi

Telephone +91-22-2268-1695

Email rajeshjoshi@hsbc.co.in

Sejal Shah

Telephone +91-22-2268-1344

Email sejal1shah@hsbc.co.in

Markit

Pollyanna De Lima, Economist

Telephone +44-1491-461-075

Email pollyanna.delima@markit.com

Caroline Lumley, Corporate Communications

Telephone +44-20-7260-2047

Mobile +44-781-581-2162

Email 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*[™] (*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.

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

About PMI:

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

The intellectual property rights to the HSBC India Manufacturing *PMI*[™] provided herein are owned by or licensed to 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*[™] and *PMI*[™] are either registered trade marks of Markit Economics Limited or licensed to Markit Economics Limited. HSBC use the above marks under license. Markit is a registered trade mark of Markit Group Limited.