

HSBC India Manufacturing PMI™

Output growth at five-month high in November

Key findings:

- Fastest expansion in new orders since June
- Third successive monthly expansion in export sales
- Purchasing activity increases solidly

In line with higher total sales, output in the Indian manufacturing sector rose during November. New orders and export sales both increased at solid rates. Despite higher payroll numbers, backlogs of work were accumulated as power shortages continued to weigh on output capabilities. Stocks of finished goods were subsequently depleted sharply.

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 53.7 in November, up from 52.9 in October. The latest reading indicated a further improvement in the health of the Indian manufacturing sector.

Output growth was signalled in the Indian goods-producing sector for the forty-fourth consecutive month. Furthermore, the rate of expansion was solid, and the fastest in five months. According to monitored companies, an increase in order book volumes combined with a depletion of post-production inventories resulted in higher output.

New orders and export sales both increased at manufacturing companies in India during November. Rates of expansion were solid. Whereas order book volumes expanded at the fastest rate since June, growth in new export orders was the sharpest in five months. Demand was reportedly stronger in both domestic and international markets.

Job creation was recorded in the Indian manufacturing sector in November for the ninth successive month. With approximately 4% of panel members signalling increased staffing levels but the vast majority (93%) reporting no change, the pace of expansion was only slight. Meanwhile, the volume of work-in-hand (but not yet completed) increased amid reports of persistent powercuts. There was also evidence of labour shortages at some units. Backlog accumulation has been recorded in each of the past four months.

In line with higher input costs, prices charged by manufacturers in India increased during November. Rates of inflation were robust, and faster than in October. Anecdotal evidence suggested that higher raw material and diesel costs led to the latest increase in input prices.

Pre-production inventories at manufacturing firms in India increased in November, as has been the case since May. The rate of accumulation was marked and accelerated to the fastest since January. In contrast, post-production inventories fell for the second consecutive month. Stocks of finished goods decreased sharply, and at the fastest rate since February 2009.

Indian manufacturing companies increased their input buying during November, marking a 44-month sequence of expansion. The rise in quantity of purchases was solid and the fastest in five months, as panellists forecast ongoing growth of production requirements.

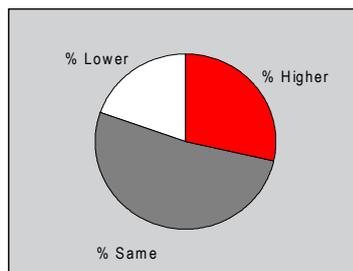
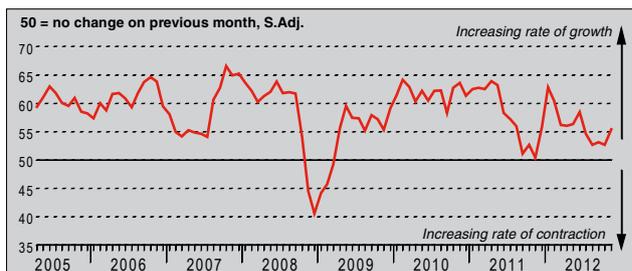
HSBC India *Purchasing Managers' Index™* (PMI™)



The HSBC India Purchasing Managers' Index™ (PMI™) is a composite indicator designed to provide an overall view of activity in the manufacturing sector and acts as a leading indicator for the whole economy. The indicator is derived from individual diffusion indices which measure changes in output, new orders, employment, suppliers' delivery times and stocks of goods purchased. A reading of the PMI below 50.0 indicates that the manufacturing economy is generally declining; above 50.0, that it is generally expanding. A reading of 50.0 signals no change. The greater the divergence from 50.0, the greater the rate of change signalled by the index. Purchasing Managers' Index™ and PMI™ are trade marks of Markit Economics Limited, HSBC use the above marks under licence. Markit and the Markit logo are registered trade marks of Markit Group Limited.

Output Index

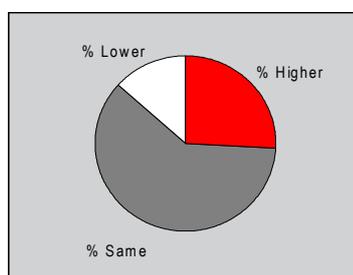
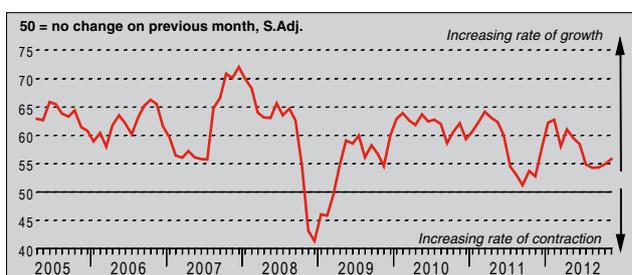
Q. Please compare your production/output this month with the situation one month ago.



Continuing the trend that started in April 2009, output in the Indian manufacturing sector increased during November. Growth in production was solid, and the fastest since June. Almost 29% of monitored companies signalled higher output, with the majority citing rising order book volumes as the reason for growth in production. Output may have risen further if it were not for continued power shortages.

New Orders Index

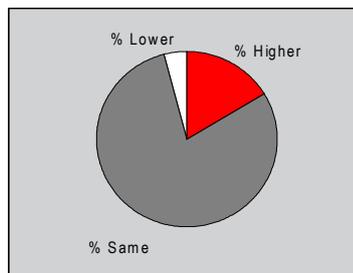
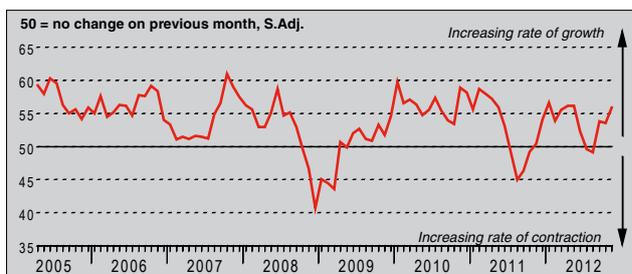
Q. Please compare the level of new orders received (India and export) this month with the situation one month ago.



Manufacturing companies in India signalled increased order book volumes in November amid reports of stronger demand, maintained brand reputation and product quality. With over one-quarter of panellists indicating higher new orders, the pace of expansion was solid and the fastest in five months. Rising new orders has been recorded in each of the past 44 months.

New Export Orders Index

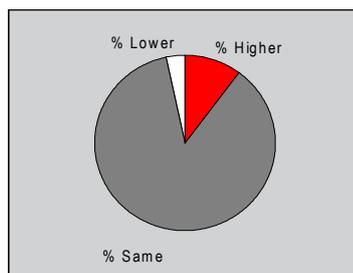
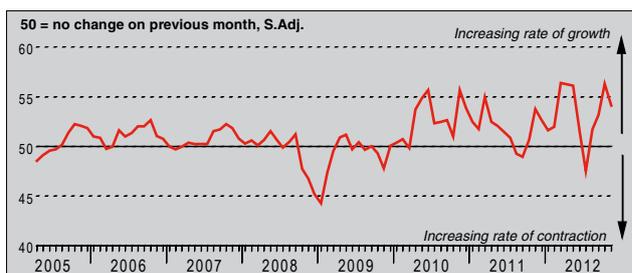
Q. Please compare the level of new export orders received this month with the situation of one month ago.



New export orders in the Indian manufacturing sector increased in November for the third consecutive month. The rate of growth was solid, and accelerated to the fastest since May. Moreover, the seasonally adjusted New Export Orders Index posted above the series average. Anecdotal evidence suggested that stronger demand from international markets led to higher export sales.

Backlogs of Work Index

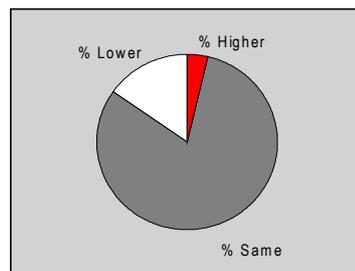
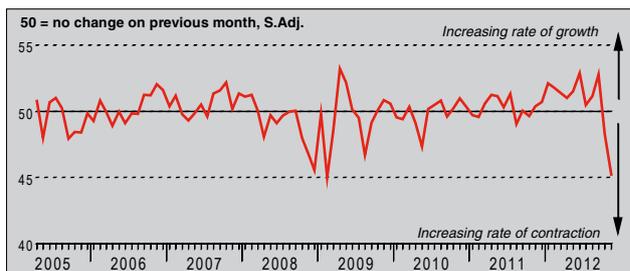
Q. Please compare the level of outstanding business in your company this month with the situation one month ago.



Backlogs of work at manufacturing firms in India rose during November, marking a four-month sequence of accumulation. Although substantial, the rate of increase was slower than in October. Approximately 10% of the survey panel signalled higher volumes of work-in-hand (but not yet completed), mentioning powercuts as a factor. There were also reports of labour shortages at some units.

Stocks of Finished Goods Index

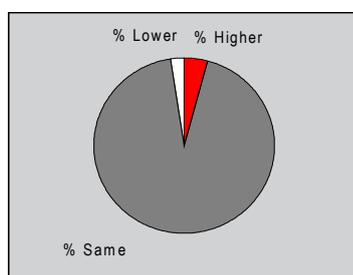
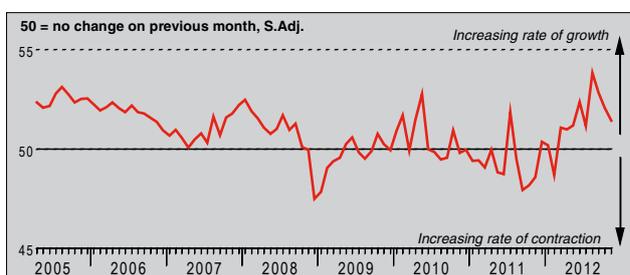
Q. Please compare your stocks of finished goods (in units) this month with the situation one month ago.



Manufacturing companies in India indicated falling stocks of finished good during November, the second successive monthly decline registered. The rate of contraction was sharp, and the fastest since February 2009. Anecdotal evidence suggested that post-production inventories were depleted to meet demand requirements, as labour and power shortages hampered production.

Employment Index

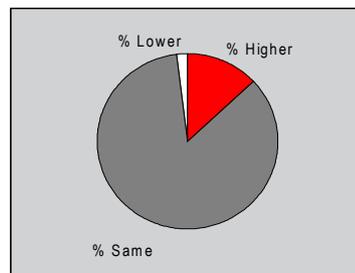
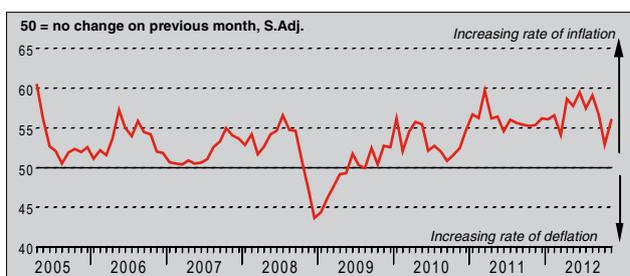
Q. Please compare the level of employment at your unit with the situation one month ago.



As has been the case since March, staffing levels in the Indian manufacturing sector increased in November. That said, the rate of job creation was only slight and the slowest in four months. Whereas approximately 4% of panellists indicated higher employment at their units, the vast majority (93%) reported no change from October.

Output Prices Index

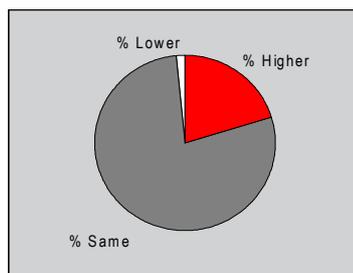
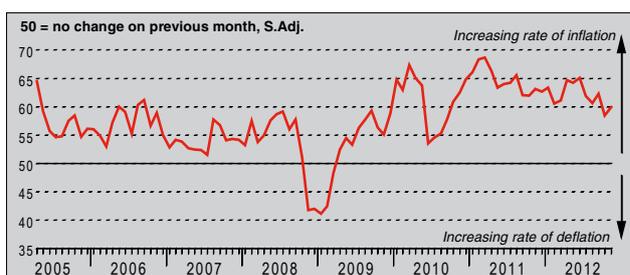
Q. Please compare the average price that you charge per unit of output (volume weighted) this month with the situation one month ago.



Output prices in the Indian manufacturing sector increased during November for the thirty-ninth consecutive month. The rate of inflation was marked and faster than in October. Exactly 13% of survey participants reported higher factory gate prices, mentioning increased raw material costs. There were also mentions of rising steel, chemical and fuel prices.

Input Prices Index

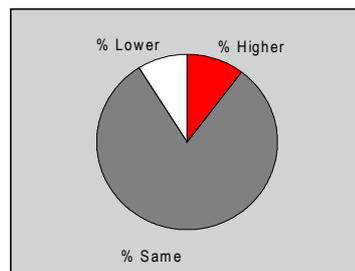
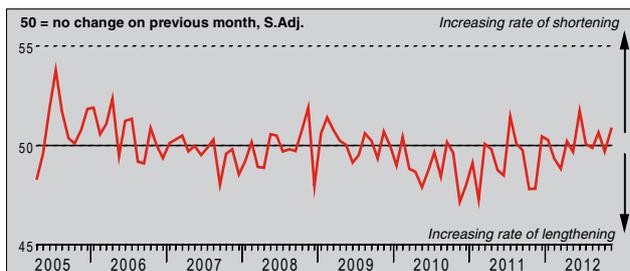
Q. Please compare the average price of your purchases (volume weighted) this month with the situation one month ago.



Continuing the trend that started in April 2009, input prices in the Indian goods-producing sector increased during November. With over one-fifth of respondents signalling higher input costs, the rate of inflation was sharp. Anecdotal evidence suggested that input prices increased in line with stronger demand and higher raw material and diesel costs.

Suppliers' Delivery Times Index

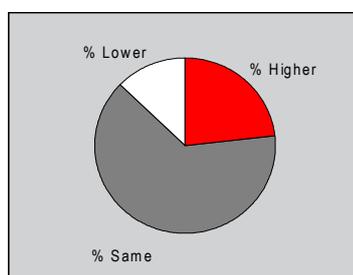
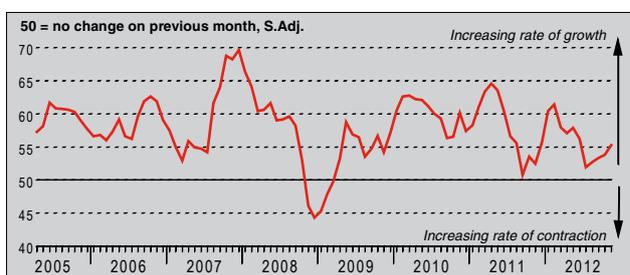
Q. Please compare your suppliers' delivery times (volume weighted) this month with the situation one month ago.



Following a slight deterioration registered in October, vendor performance at manufacturers in India improved during November. With approximately 10% of monitored companies indicating faster delivery times and the majority (almost 81%) reporting no change, the pace of shortening was only slight. However, the Suppliers' Delivery Times Index adjusted for seasonal variations posted above its long-run average.

Quantity of Purchases Index

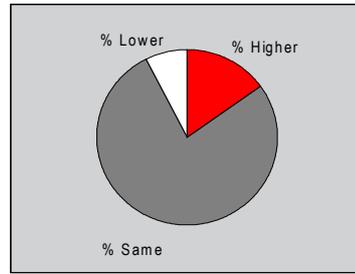
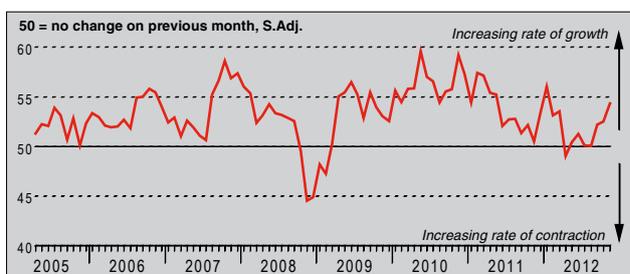
Q. Please compare the quantity of items purchased (in units) this month with the situation one month ago.



Purchasing activity in the Indian goods-producing sector expanded in November, amid reports of an anticipated rise in demand. The rate of expansion as signalled by the seasonally adjusted Quantity of Purchases Index was solid, and the fastest since June. Rising input buying has been recorded in each of the past 44 months.

Stocks of Purchases Index

Q. Please compare your stocks of purchases (in units) with the situation one month ago.



Pre-production inventories at manufacturing companies in India increased during November for the seventh successive month. Stocks of purchases were accumulated at a marked pace, moreover at the fastest rate since January. Around twice as many panellists signalled higher pre-production inventories as those that noted a fall.

Notes on the Data and Method of Presentation

The Purchasing Managers' Index is based on data compiled from monthly replies to questionnaires sent to purchasing executives in around 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.

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