

HSBC India Manufacturing PMI™

Indian manufacturing growth loses momentum in April

Key findings:

- 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

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 powercuts, 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.

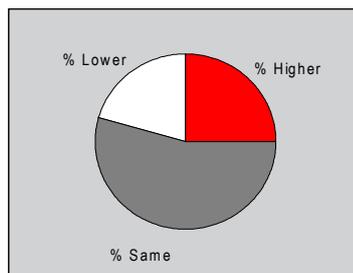
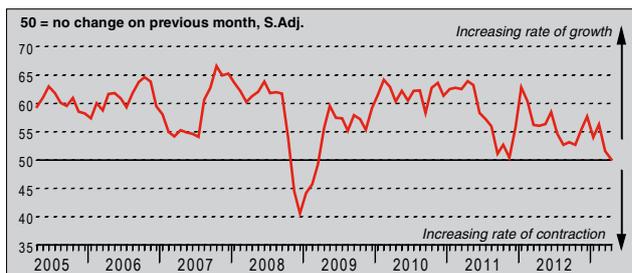
HSBC India Purchasing Managers' Index™ (PMI™)



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

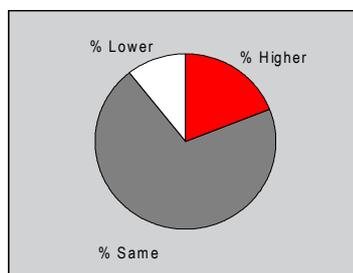
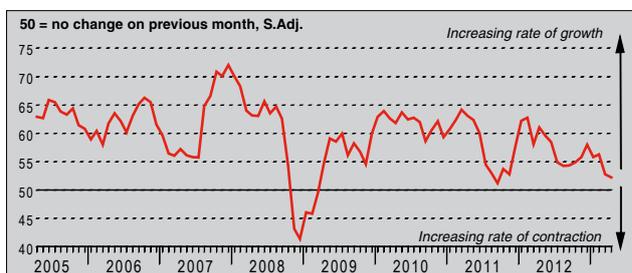
Q. Please compare your production/output this month with the situation one month ago.



Companies operating in the Indian manufacturing sector signalled that production rose during April. However, the seasonally adjusted Output Index indicated that the rate of growth was fractional and the slowest in the current 49-month expansionary sequence. Panel members reporting increased production mentioned higher levels of incoming new work, but powercuts continued to weigh on growth.

New Orders Index

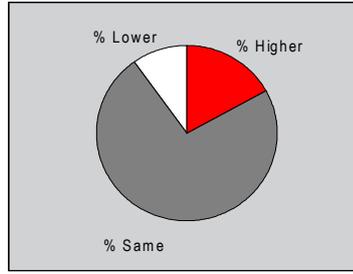
Q. Please compare the level of new orders received (India and export) this month with the situation one month ago.



New orders placed at manufacturing firms in India rose during April, amid reports of firm demand and new product launches. That said, the rate of expansion was modest and the slowest since September 2011. Furthermore, the New Orders Index adjusted for seasonal variations fell for the second month running and was well below the long-run series trend (59.8).

New Export Orders Index

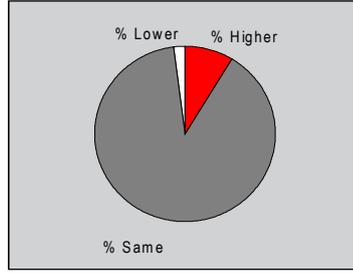
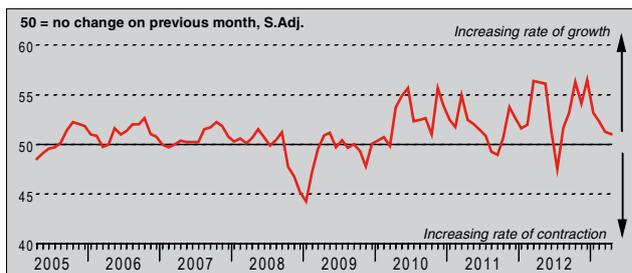
Q. Please compare the level of new export orders received this month with the situation of one month ago.



April data pointed to a further rise in total export business at manufacturing companies in India. Despite being slight, the overall rate of growth accelerated from March. Surveyed firms stated that demand from key export clients had strengthened. Growth in new business from abroad has now been sustained for eight successive months.

Backlogs of Work Index

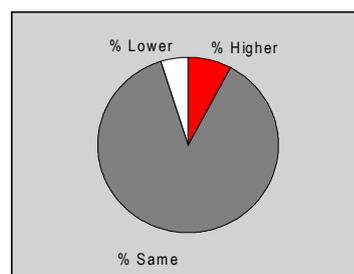
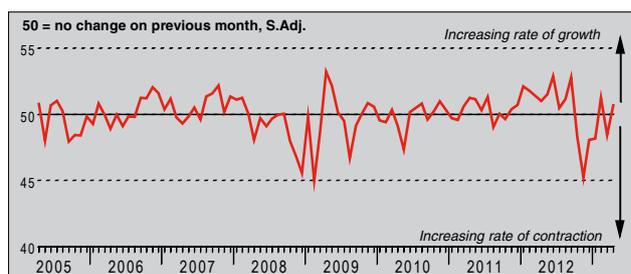
Q. Please compare the level of outstanding business in your company this month with the situation one month ago.



The volume of work-in-hand (but not yet completed) held by goods-producing firms in India rose for the ninth month running during April. However, the rate of increase, as signalled by the seasonally adjusted Backlogs of Work Index, was slight and the slowest in that sequence. Monitored companies indicated that unfinished business levels were accumulated in tandem with power shortages.

Stocks of Finished Goods Index

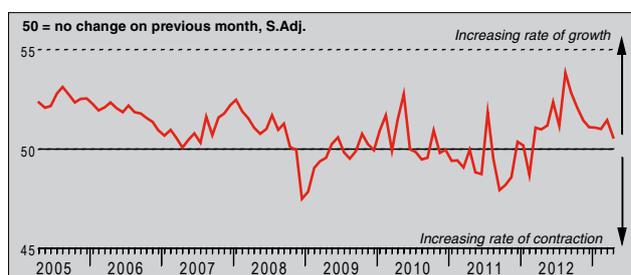
Q. Please compare your stocks of finished goods (in units) this month with the situation one month ago.



In contrast to a depletion signalled in March, manufacturers in India indicated that post-production stocks increased during April. Almost 8% of panellists reported higher post-production inventories, while 5% noted a fall. Subsequently, the overall pace of accumulation was slight. Panel members indicated that stocks of manufactured goods rose in line with production growth.

Employment Index

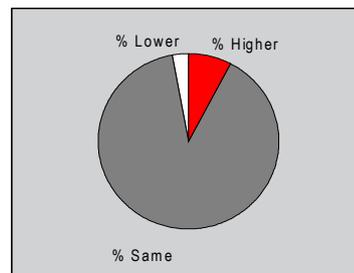
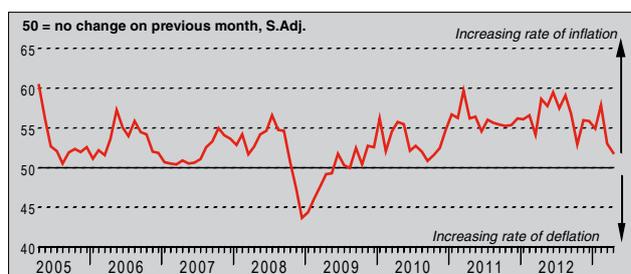
Q. Please compare the level of employment at your unit with the situation one month ago.



Employee headcounts in the Indian manufacturing sector rose during April, marking a 14-month sequence of job creation. Exactly 3% of survey participants reported a higher workforce level and the vast majority (96.3%) indicated no change from one month previously. Correspondingly, the pace of expansion was slight and the slowest in that sequence.

Output Prices Index

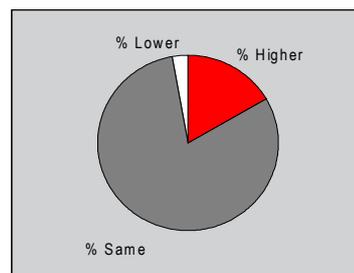
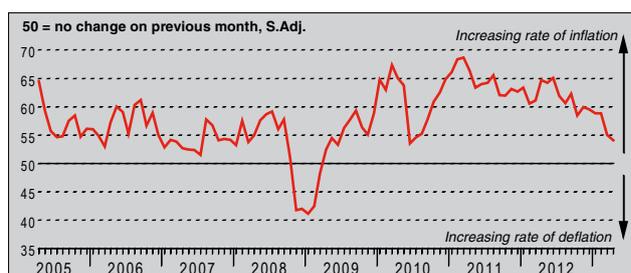
Q. Please compare the average price that you charge per unit of output (volume weighted) this month with the situation one month ago.



Marking a 44-month sequence of charge inflation, factory gate prices in India rose during April. Nevertheless, the rate of increase was moderate and the Output Prices Index adjusted for seasonal factors was at a 30-month low. Almost 8% of monitored manufacturers reported higher selling prices, citing increased input and transport costs. There were also mentions of unfavourable exchange rates.

Input Prices Index

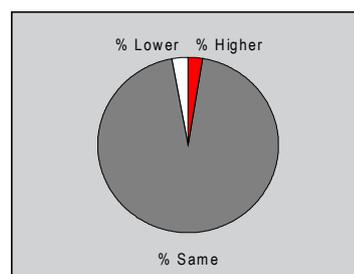
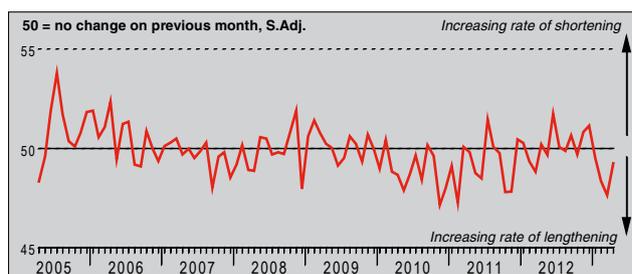
Q. Please compare the average price of your purchases (volume weighted) this month with the situation one month ago.



For the forty-ninth consecutive month, average prices paid for inputs by Indian manufacturers rose during April, amid reports of higher raw material costs. Despite being solid, the overall rate of inflation eased to the slowest since June 2010. Furthermore, the Input Prices Index adjusted for seasonal factors fell for the second month running and remained below the long-run series average (58.0).

Suppliers' Delivery Times Index

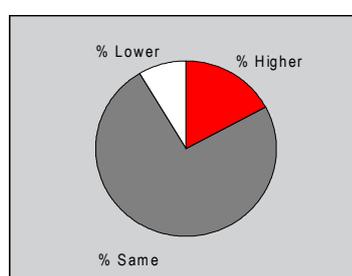
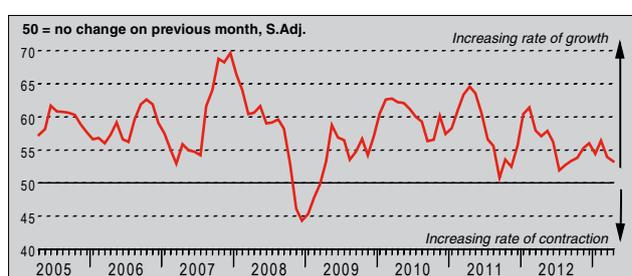
Q. Please compare your suppliers' delivery times (volume weighted) this month with the situation one month ago.



Suppliers' delivery times in the Indian goods-producing sector lengthened during April. However, vendor performance deteriorated to a lesser extent than in March. Almost 3% of survey participants indicated slower lead times, but 95% reported no change. According to panel members, delayed payments to suppliers, powercuts and shortages of raw materials all fed through to the latest deterioration in vendor performance.

Quantity of Purchases Index

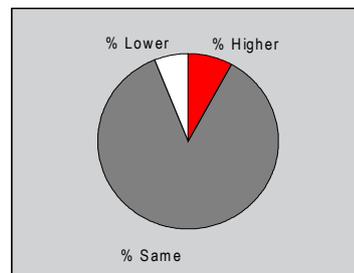
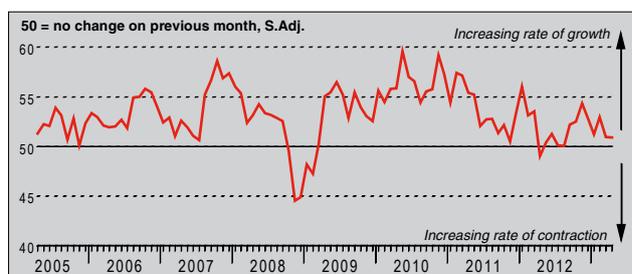
Q. Please compare the quantity of items purchased (in units) this month with the situation one month ago.



The quantity of raw materials and semi-finished goods bought by Indian manufacturers rose for the forty-ninth successive month during April. The rate of expansion was solid but eased to the slowest since last September. Around 17% of monitored companies reported higher purchasing activity, citing new order growth. Conversely, almost 9% of firms signalled a lower quantity of items purchased.

Stocks of Purchases Index

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



Companies operating in the Indian goods-producing sector indicated increased stocks of purchases during April. Exactly 8% of panellists signalled higher pre-production inventories, while 6% noted a fall. Subsequently, the overall rate of accumulation was slight and broadly unchanged from March. Evidence suggested that stocks of raw materials and semi-manufactured products increased in tandem with higher purchasing activity.

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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