HSBC Purchasing Managers' Index™ Press Release

Embargoed until: 10:30 (Mumbai), 1 June 2015

compiled by markit

HSBC India Manufacturing PMI™

PMI rises in May as growth of output and new orders strengthens

Summary

The upturn in the Indian manufacturing sector gathered pace in May, with levels of production and new orders rising at the fastest rates since the opening month of 2015. Meanwhile, a further increase in input costs was seen and, consequently, charges were raised following a decline seen in the preceding month.

Up to a four-month high of 52.6 in May, from 51.3 in April, the seasonally adjusted *HSBC India Purchasing Managers' Index™ (PMI™)* signalled a further improvement in business conditions. Furthermore, gains were seen in all three monitored sub-sectors.

Manufacturing output increased for the nineteenth month running, with the rate of growth marked and the fastest since January. The sharpest rise was reported by consumer goods producers. Solid increases were also seen in capital and intermediate goods production.

Underpinning higher output was improved demand from the domestic and foreign markets. The total volume of new work received increased for the nineteenth successive month and at the quickest pace since January. Growth was led by capital goods producers. Overseas demand also rose, although the rate of expansion moderated. This mainly reflected a reduction in foreign orders received by investment goods firms.

Despite the uptick in growth, manufacturing employment was broadly unchanged in May. Over 99% of panellists reported unchanged staffing levels, citing uncertainty about the sustainability of growth.

Input price inflation quickened during May, but remained weaker than the series average. Manufacturers reported higher purchasing costs for chemicals, energy, metals and textiles. Stronger cost rises were noted in all three monitored categories.

Following a reduction seen in the previous month, output prices were raised in May. That said, the latest increase in factory gate prices was only slight. Where a rise in charges was reported, this mainly reflected increasing input costs.

Boosted by stronger output growth, buying activity rose at an accelerated rate in May that was the quickest since last December. Faster increases in quantity of purchases were noted in all three broad areas of the manufacturing economy.

May data indicated that stock holdings were accumulated. Pre-production inventories increased for the twelfth straight month, albeit modestly. Holdings of finished goods also rose, with panellists indicating that stock building attempts reflected the need to fulfil existing orders.

Finally, average lead times shortened in May. However, vendor performance improved to broadly the same extent as in the preceding month.

Comment

Commenting on the India Manufacturing PMI™ survey, Pollyanna De Lima, Economist at Markit said:

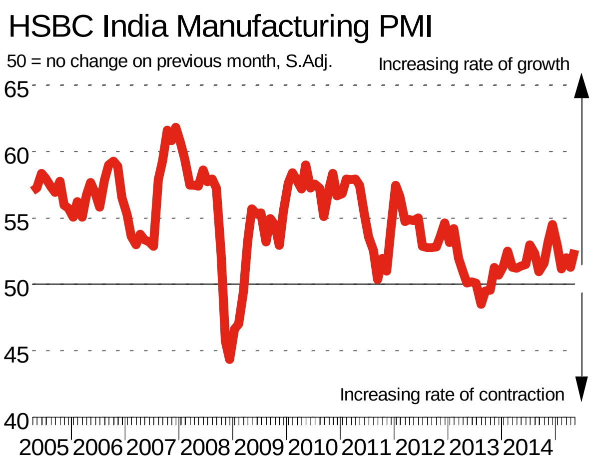
"PMI data signalled a further robust expansion of the Indian manufacturing economy in May. Both output and new order growth accelerated to four-month highs, whereas the rise in export orders lost traction. The outlook for the sector is, however, clouded by a stagnant jobs market as firms remain uncertain about the sustainability of the upturn.

"Input cost inflation ticked higher and output prices were raised in May, but inflation rates are nonetheless weak in the context of historical data. This indicates that further rate cuts are still on the horizon."

Key points

- Manufacturing PMI at four-month high
- Solid and quicker rise in incoming new work
- Production expands at strongest rate in four months

Historical Overview



Sources: Markit, HSBC.

markit

HSBC

For further information, please contact:

HSBC

Pranjul Bhandari, Chief India Economist
Telephone: +91-22-22681841
Email: pranjul.bhandari@hsbc.co.in

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

Joanna Vickers, Corporate Communications
Telephone: +44-2072-602-234
E-mail: joanna.vickers@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 more than 6,200 offices in both established and emerging markets, we aim to be where the 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 52 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 74 countries and territories in Europe, the Asia-Pacific region, the Middle East, Africa, North America and Latin America.

Listed on the London, Hong Kong, New York, Paris and Bermuda stock exchanges, shares in HSBC Holdings plc are held by about 216,000 in 129 countries and territories.

About Markit:

Markit is a leading global diversified provider of financial information services. We provide products that enhance transparency, reduce risk and improve operational efficiency. Our customers include banks, hedge funds, asset managers, central banks, regulators, auditors, fund administrators and insurance companies. Founded in 2003, we employ over 3,500 people in 10 countries. Markit shares are listed on Nasdaq under the symbol MRKT. For more information, please see www.markit.com.

About PMI:

Purchasing Managers' Index™ (PMI™) surveys are now available for over 30 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.