

# HSBC India Manufacturing PMI™

## PMI hits 17-month high in July

### Summary

Business conditions in the Indian manufacturing sector improved for a ninth consecutive month in July, as companies scaled up production in response to robust levels of demand. However, employment deteriorated fractionally, while inflationary pressures continued to emerge, particularly on the supply-side.

The HSBC India Purchasing Managers' Index™ (PMI™) – a composite gauge designed to give an accurate overview of operating conditions in the manufacturing sector – reached a 17-month peak of 53.0 in July, up from 51.5 in June. The reading signalled a solid improvement in business conditions.

In line with the headline indicator, output grew at the quickest rate since February 2013 in July, marking a nine-month period of increased production. Anecdotal evidence associated solid output growth with strengthening order books. Among the monitored sub-sectors, producers of intermediate goods scaled up production at the sharpest pace.

July data confirmed reports of further improvements in demand as new orders increased at an accelerated pace, extending the current sequence of growth to nine months. Sector figures indicated a marked rise of new work intakes in the intermediate goods category. Similarly, new business from abroad rose for a tenth successive month in July. Panellists commented on strong demand from key export clients.

As a result of consistently rising demand and subsequent production requirements, purchasing activity by Indian manufacturers rose solidly in July. Furthermore, it was the fastest expansion in buying activity since February 2013. Input buying was raised across each of the sub-sectors, with the strongest increase registered by intermediate goods companies.

Pre-production inventories grew in July as purchasing activity continued to rise. However, the rate of accumulation was moderate overall. Likewise, stocks of finished goods expanded fractionally in July. In both cases, inventory accumulation was recorded in the consumer and intermediate goods sectors, while stocks were depleted in the capital goods category.

Meanwhile, workforce numbers were reduced for the first time since September 2013 in July. However, the rate of job shedding was marginal. Nonetheless, declines in employment were seen by producers of consumer and intermediate goods, with only investment goods firms reporting job creation.

Concurrently, backlogs of work increased in July. Where work-in-hand rose, a number of panel members cited problems with their power supply.

Higher prices paid for metals, plastics, textiles, packaging, food and energy led to a further marked increase in input prices in July. The rate of cost inflation was the quickest since February. Rising costs were only partially evident in July's increase in output prices, as the rate of charge inflation was slight overall and muted in comparison with historical data.

### Comment

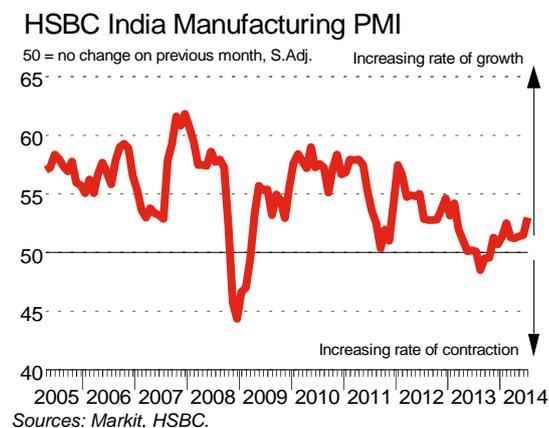
Commenting on the India Manufacturing PMI™ survey, Frederic Neumann, Co-Head of Asian Economic Research at HSBC said:

*"Finally, the manufacturing sector is starting to pick up steam. A flood of new orders from both domestic and external sources has led to a surge in activity, pushing the manufacturing PMI to a 17-month high. Details within the survey show that all monitored categories witnessed a rise in output and order flows. A quick word of caution, however. The speed of the recovery has also lifted price pressures, with input prices rising steeply. This means that the RBI may not cheer as loudly as the rest of us."*

### Key points

- Production expands at fastest rate since February 2013
- Further solid growth in new orders and foreign business
- Staffing levels decline for first time in ten months

### Historical Overview



**For further information, please contact:**

## **HSBC**

Frederic Neumann, Co-Head of Asian Economic Research

Telephone: +852-2822-4556

Email: [fredericneumann@hsbc.com.hk](mailto:fredericneumann@hsbc.com.hk)

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**

Philip Leake, Economist

Telephone: +44-1491-461-075

Email: [philip.leake@markit.com](mailto:philip.leake@markit.com)

Joanna Vickers, Corporate Communications

Telephone: +44-2072-602-234

E-mail: [joanna.vickers@markit.com](mailto: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*<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 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 3,000 people in 10 countries. Markit shares are listed on NASDAQ under the symbol "MRKT". For more information, please see [www.markit.com](http://www.markit.com)

### **About PMI:**

*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 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*<sup>™</sup> and *PMI*<sup>™</sup> 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.**