HSBC Purchasing Managers' Index™ Press Release

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compiled by markit

HSBC India Manufacturing PMI™

Indian manufacturing economy loses growth momentum in April

Summary

Following the solid readings seen in March, the Indian manufacturing economy recorded a growth slowdown during April. Total new orders increased at a weaker pace and, as a consequence, companies reduced staffing levels and raised output to a lesser degree. Meanwhile, both pre and post-production inventories were accumulated at slower rates.

At 51.3 in April, down from 52.1 in March, the headline *HSBC India Purchasing Managers' Index™ (PMI™)* pointed to a weaker improvement in operating conditions across the sector. Nonetheless, the headline index recorded above the crucial 50.0 threshold for the eighteenth successive month.

Rising production has now been recorded for one-and-a-half years, although the rate of expansion eased in April. This mainly reflected a softer increase in order book volumes. Higher output was recorded across the three monitored categories, with growth strongest at capital goods firms and slowest in the consumer goods sub-sector.

New order volumes continued to rise in April, marking an 18-month expansionary sequence. That said, the rate of growth moderated since March, with data pointing to softening domestic demand and competitive pressures.

Demand from external markets remained strong, as the level of new export orders increased at a solid pace that was unchanged since the prior month. Companies reported greater inflows of new business from key export clients, but in particular from those operating in Asia.

April saw companies maintain a cost-cautious approach to hiring. Job losses were reported for the second time in the year-to-date. Nevertheless, the rate of job shedding was fractional overall as the vast majority of panellists signalled no change in employment levels. Meanwhile, backlogs of work were broadly unchanged, with the index measuring unfinished business posting only fractionally above the 50.0 threshold.

Purchasing activity growth moderated in April, leading to a weaker accumulation in pre-production stocks. The latest increase in buying levels was the least pronounced since October 2014. A slower rise in holdings of finished goods was also noted.

Input prices continued to rise in April, albeit at a slight and weaker rate. Companies signalled further price increases for a number of raw materials, but also reported successful negotiations with suppliers.

April data highlighted the first decrease in average selling prices for almost two years. Manufacturers indicated that discounts had been offered as part of efforts to secure new business. There were also mentions that a weaker increase in cost burdens improved firms' ability to price competitively.

Comment

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

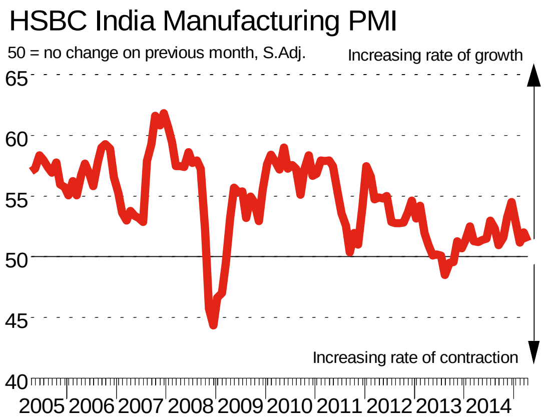
"Despite recording softer rates of expansion, the Indian manufacturing sector held its ground in April, benefitting from ongoing improvements in operating conditions. A highlight of the latest survey was the strong external market, with the rise in new export business remaining solid. However, we are yet to see growth lead to meaningful job creation, as the index measuring employment has shown little change to staff numbers since the beginning of 2014.

"On the price front, tariffs fell for the first time since May 2013, as firms responded to weaker cost inflation. Even with the slower pace of expansion, the goods-producing sector is on course to provide a boost to the overall economy in the upcoming quarter."

Key points

- Output, new orders and buying levels expand at slower rates
- Payroll numbers decrease
- Weaker increases in stock levels

Historical Overview



Sources: Markit, HSBC.

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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.

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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