

Flash PMI rises to 61.4 in July

Gains in new orders key driver; pace of job creation strongest in over 18 yrs

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The private sector economy continued to expand in July, according to a survey by HSBC on Wednesday, propelled by an increase in business activity in both the manufacturing and services sectors. The survey also noted that the pace of job creation was at its strongest in over 18 years.

According to the survey carried out by the global banker, the headline flash composite Purchasing Managers' Index (PMI) figure rose to 61.4 in July, compared to 60.9 in June.

The index, which measures the month-on-month change in the combined output of India's manufacturing and service sectors, was in growth territory for the 36th consecutive month.

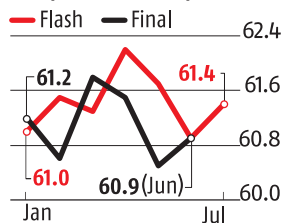


"Backlogs of work rose further, prompting the best upturn in employment in over eighteen years. The latest results also revealed that rising material and labour costs added to inflationary pressures," the survey noted.

Pranjul Bhandari, chief India economist at HSBC, said

GROWTH TERRITORY

Composite PMI output index



Note: In PMI parlance, a reading above 50 denotes expansion, while below it shows contraction
Source: HSBC

that the flash composite output index signalled continued robust growth in India's private sector and the rise in output in July was led by a further increase in business activity in the manufacturing sector, while the pace of expansion in services output also accelerated and remained well above

its long-run average.

"As a result, companies turned more optimistic in July, following a moderation in business confidence in June. We note that the rate of input-cost inflation continued to trend higher in both sectors, which has driven firms to keep raising sales prices," she added. The survey notes that the new orders placed with private sector firms in India rose sharply in July. As was the case for output, rates of expansion accelerated in the manufacturing and service sectors.

The flash PMI records 75-85 per cent of the total 800 Purchasing Managers Index survey responses by services and manufacturing firms received each month. The final manufacturing PMI headline figure for the month of July is projected to slightly increase to 58.5.