

# PMI Report on Manufacturing

Purchasing Managers' Index produced by NTC Research



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## PMI at three-month high in April. Input price inflation eases to slowest in twenty-five month survey history.

April data from the ABN AMRO survey of the Indian manufacturing economy signalled a pick-up in the rate of growth of output and new orders, and input price inflation eased to its lowest in the twenty-five month survey history.

The seasonally adjusted ABN AMRO India Purchasing Managers' Index™ (PMI™) – a composite indicator designed to provide a single-figure snap-shot of the performance of the manufacturing sector – rose to 53.8 in April, its highest reading since January.

Indian manufacturers expanded production at their plants at the fastest rate for three months in April. Anecdotal evidence linked the rise in output to favourable market conditions, as volumes of sales also rose.

Panel members reported that strong demand and the development of new products had boosted volumes of incoming new business. However, growth of new export orders remained only moderate, with the majority of survey respondents signalling no change in incoming new business from abroad.

Levels of unfinished business in the Indian manufacturing economy rose for the first time since last December in April, which panellists linked to strong market demand. The rate of growth was, however, only marginal.

Firms continued to hire additional staff in the latest survey period, albeit at a weak rate. Moreover, the rate of growth was the lowest in the survey

history. Panel members that reported increasing staffing levels indicated that they had done so in response to rising production requirements.

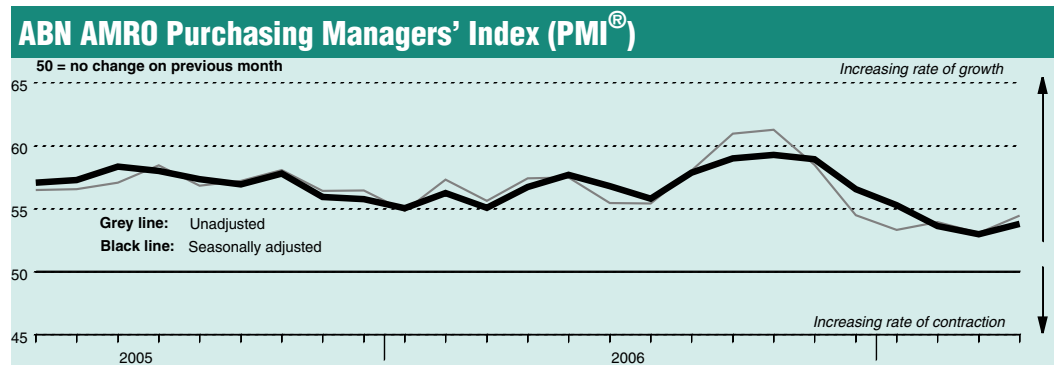
Higher volumes of sales led Indian manufacturers to increase their input buying at the most marked rate since January in the latest survey period. Stocks of purchases also rose, with some firms reporting that they had increased their held inventories in response to rising levels of production.

Post-production inventories declined for the second consecutive month in April. Anecdotal evidence suggested that firms had met rising volumes of new orders in part by depleting stocks of finished goods.

Rising levels of purchasing activity placed pressure on suppliers, as average lead-times lengthened for the first time since last December. There were also some reports of raw material shortages contributing to the longer delivery times.

Despite accelerating to the most marked rate for four months in April, output price inflation remained only moderate. Some panellists reported raising factory gate prices in response to improved product quality.

Although input price inflation eased in the latest survey period, panellists continued to signal a solid increase in their average costs. There were reports of higher prices for a number of raw materials.



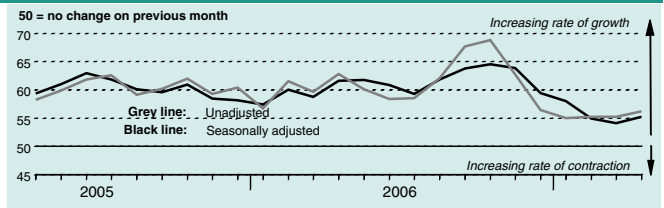
Index Summary		(seasonally adjusted, 50 = no change on previous month)										
	PMI	Output	New Orders	Export Orders	Backlogs of Work	Finished Goods Stock	Employment	Output Prices	Input Prices	Delivery Times	Quantity of Purchases	Stocks of Purchases
Nov '06	58.9	63.9	65.5	58.4	51.1	52.1	51.4	52.1	58.9	50.0	62.0	55.5
Dec	56.6	59.5	61.6	54.1	50.8	51.6	51.0	51.9	55.1	49.4	59.1	54.1
Jan '07	55.3	58.1	59.7	53.4	50.0	50.4	50.7	50.7	52.9	50.1	57.5	52.5
Feb	53.6	55.0	56.5	51.1	49.7	51.2	51.0	50.5	54.2	50.3	55.1	52.9
Mar	53.0	54.2	56.1	51.5	50.0	49.8	50.6	50.4	53.9	50.5	53.0	51.1
Apr	53.8	55.3	57.2	51.2	50.4	49.3	50.1	50.9	52.7	49.7	55.9	52.6

The ABN AMRO 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 registered trademarks of NTC Economics Ltd.

**Output Index**

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

Month	Higher %	Same %	Lower %	Net +/-	Index	S.Adj. Index
2006 Nov	35.2	55.2	9.6	25.5	62.8	63.9
Dec	19.5	73.9	6.6	12.9	56.5	59.5
2007 Jan	13.7	82.8	3.6	10.1	55.1	58.1
Feb	14.5	81.6	3.9	10.6	55.3	55.0
Mar	16.2	78.2	5.6	10.6	55.3	54.2
Apr	16.4	79.6	4.0	12.4	56.2	55.3

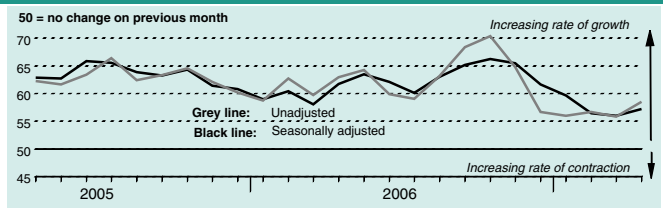


Latest data pointed to further robust growth of output in the Indian manufacturing sector. Moreover, at 55.3 in April, from 54.2 in the previous month, the seasonally adjusted Output Index pointed to the most marked rate of production expansion for three months. Anecdotal evidence suggested that firms had increased output levels at their plants in response to favourable market conditions.

**New Orders Index**

*Q. Please compare the state of your new orders (in units) this month with one month ago.*

Month	Higher %	Same %	Lower %	Net +/-	Index	S.Adj. Index
2006 Nov	37.6	54.4	8.0	29.7	64.8	65.5
Dec	19.2	74.9	5.8	13.4	56.7	61.6
2007 Jan	14.5	83.1	2.5	12.0	56.0	59.7
Feb	17.1	79.2	3.6	13.5	56.7	56.5
Mar	16.4	79.0	4.7	11.7	55.8	56.1
Apr	20.2	76.7	3.1	17.1	58.6	57.2

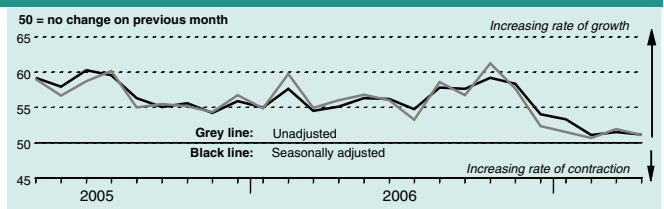


Incoming new business to Indian manufacturers continued to increase at a marked rate in April. The seasonally adjusted New Orders Index posted 57.2, from 56.1 in the previous month, signalling the fastest rate of growth since January. Panellists reported that strong demand and the development of new products had boosted volumes of incoming new business.

**New Export Orders Index**

*Q. Please compare the state of your new export orders (in units) this month with one month ago.*

Month	Higher %	Same %	Lower %	Net +/-	Index	S.Adj. Index
2006 Nov	21.5	72.4	6.1	15.4	57.7	58.4
Dec	6.1	92.5	1.4	4.8	52.4	54.1
2007 Jan	4.1	94.8	1.0	3.1	51.6	53.4
Feb	3.5	94.4	2.1	1.4	50.7	51.1
Mar	5.2	93.5	1.3	4.0	52.0	51.5
Apr	2.2	97.8	0.0	2.2	51.1	51.2

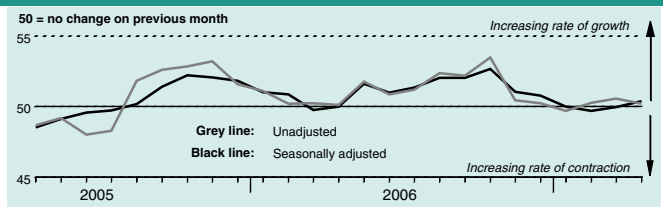


Growth of new business from abroad remained only moderate, as the vast majority of survey respondents (97.8%) signalled no change in new export orders in April. Panellists that reported an increase indicated that strong demand had underpinned the growth of new business from abroad. The seasonally adjusted New Export Orders Index posted 51.2, from 51.5 in the previous month.

**Backlogs of Work Index**

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

Month	Higher %	Same %	Lower %	Net +/-	Index	S.Adj. Index
2006 Nov	3.9	93.1	3.0	0.9	50.5	51.1
Dec	1.8	96.8	1.3	0.5	50.3	50.8
2007 Jan	0.0	99.4	0.6	-0.6	49.7	50.0
Feb	0.5	99.5	0.0	0.5	50.3	49.7
Mar	1.5	98.2	0.3	1.2	50.6	50.0
Apr	0.6	99.2	0.2	0.4	50.2	50.4

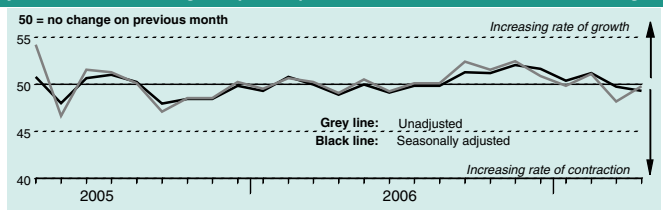


Indian manufacturers indicated rising levels of unfinished business for the first time since last December in April. The seasonally adjusted Backlogs of Work Index registered 50.4, from 50.0 in March, pointing to a marginal increase of work-in-hand (but not yet completed). Firms linked the rise in outstanding business to strong market demand.

**Stocks of Finished Goods Index**

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

Month	Higher %	Same %	Lower %	Net +/-	Index	S.Adj. Index
2006 Nov	9.1	86.7	4.1	5.0	52.5	52.1
Dec	4.3	93.2	2.5	1.8	50.9	51.6
2007 Jan	0.8	98.1	1.1	-0.3	49.9	50.4
Feb	3.1	95.9	0.9	2.2	51.1	51.2
Mar	1.6	93.1	5.3	-3.6	48.2	49.8
Apr	0.8	97.9	1.2	-0.4	49.8	49.3

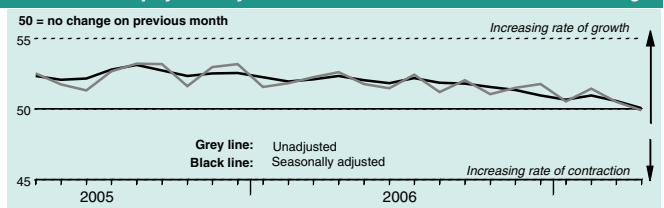


April data pointed to a second consecutive monthly decline in post-production inventories. This was highlighted by the seasonally adjusted Stocks of Finished Goods Index registering 49.3, from 49.8 in the previous month. Anecdotal evidence suggested that panellists had met rising order volumes in part by depleting finished goods stocks.

**Employment Index**

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

Month	Higher %	Same %	Lower %	Net +/-	Index	S.Adj. Index
2006 Nov	3.6	95.9	0.5	3.0	51.5	51.4
Dec	3.8	95.9	0.3	3.5	51.8	51.0
2007 Jan	1.4	98.4	0.3	1.1	50.5	50.7
Feb	2.9	97.1	0.0	2.9	51.5	51.0
Mar	2.0	97.0	1.0	1.0	50.5	50.6
Apr	1.0	97.8	1.2	-0.1	49.9	50.1

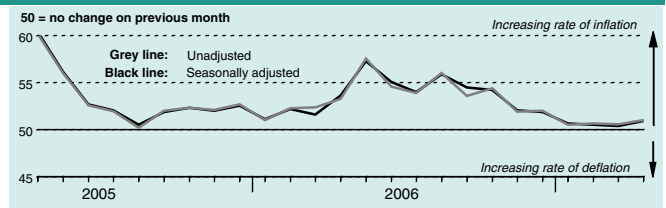


Employment growth continued to ease in April, with the rate of increase in staffing levels the least marked in the twenty-five month survey history. At 50.1, from 50.6 in the previous month, the seasonally adjusted Employment Index was at a level indicative of only weak growth. There were some reports of firms hiring additional staff in response to rising production requirements.

**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.*

Month	Higher %	Same %	Lower %	Net +/-	Index	S.Adj. Index
2006 Nov	6.9	90.1	3.0	3.8	51.9	52.1
Dec	4.8	94.4	0.8	4.1	52.0	51.9
2007 Jan	1.9	97.3	0.8	1.1	50.5	50.7
Feb	3.3	94.8	1.9	1.3	50.7	50.5
Mar	2.3	96.5	1.2	1.1	50.6	50.4
Apr	2.2	97.6	0.2	2.0	51.0	50.9

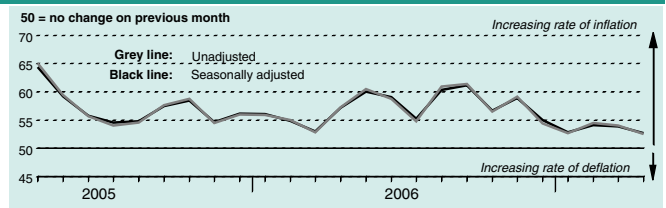


Output price inflation accelerated to its most marked for four months in April, but nevertheless remained only moderate. This was highlighted by the seasonally adjusted Output Prices Index posting 50.9, from 50.4 in the previous month. Some panellists indicated that they had increased factory gate prices in response to improved product quality.

**Input Prices Index**

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

Month	Higher %	Same %	Lower %	Net +/-	Index	S.Adj. Index
2006 Nov	19.8	78.8	1.4	18.4	59.2	58.9
Dec	10.9	87.1	2.0	8.9	54.4	55.1
2007 Jan	7.4	90.7	1.9	5.5	52.7	52.9
Feb	11.5	86.1	2.4	9.1	54.5	54.2
Mar	9.0	90.1	0.9	8.1	54.1	53.9
Apr	5.7	93.8	0.5	5.1	52.6	52.7

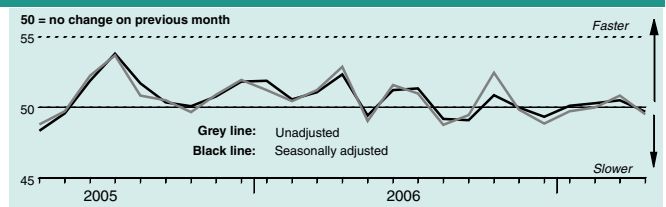


Panellists reported a solid rise in their average costs in April, although input price inflation eased to its least marked in the twenty-five month survey history. Anecdotal evidence suggested that price rises for a number of raw materials had driven up firms' average costs. The seasonally adjusted Input Prices Index registered 52.7, from 53.9 in March.

**Suppliers' Delivery Times Index**

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

Month	Higher %	Same %	Lower %	Net +/-	Index	S.Adj. Index
2006 Nov	4.1	91.5	4.4	-0.3	49.9	50.0
Dec	1.5	94.7	3.8	-2.3	48.9	49.4
2007 Jan	0.0	99.5	0.5	-0.5	49.7	50.1
Feb	0.0	100.0	0.0	0.0	50.0	50.3
Mar	2.5	96.8	0.7	1.7	50.9	50.5
Apr	0.1	98.8	1.1	-1.0	49.5	49.7

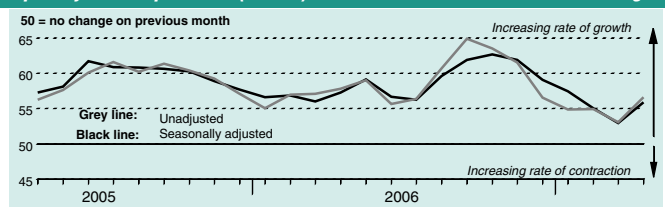


Latest data signalled a deterioration in average vendor performance for the first time since last December. However, at 49.7 in April, from 50.5 in the previous month, the seasonally adjusted Suppliers' Delivery Times Index pointed to only a marginal lengthening of average lead-times. Panel members reported that strong demand for raw materials, in addition to input shortages, had contributed to longer delivery times.

**Quantity of Purchases Index**

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

Month	Higher %	Same %	Lower %	Net +/-	Index	S.Adj. Index
2006 Nov	30.5	62.1	7.4	23.1	61.5	62.0
Dec	19.2	74.7	6.1	13.2	56.6	59.1
2007 Jan	12.6	84.7	2.7	9.8	54.9	57.5
Feb	13.6	82.8	3.7	9.9	55.0	55.1
Mar	11.6	83.1	5.3	6.2	53.1	53.0
Apr	15.5	82.2	2.3	13.3	56.6	55.9

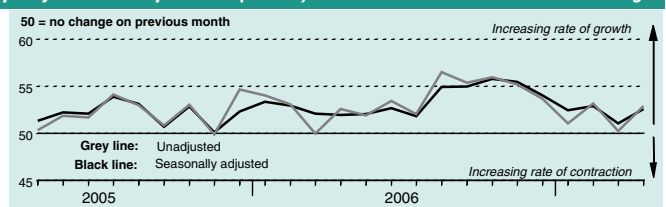


The seasonally adjusted Quantity of Purchases Index registered 55.9 in April, from 53.0 in the previous month, signalling a marked increase in input buying activity that was the fastest since January. Around 16% of survey respondents reported higher purchasing activity, which they linked to increased volumes of incoming new business.

**Stocks of Purchases Index**

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

Month	Higher %	Same %	Lower %	Net +/-	Index	S.Adj. Index
2006 Nov	13.7	83.0	3.3	10.4	55.2	55.5
Dec	9.1	89.1	1.8	7.3	53.7	54.1
2007 Jan	3.8	94.5	1.6	2.2	51.1	52.5
Feb	8.5	89.5	2.0	6.4	53.2	52.9
Mar	6.4	87.7	5.8	0.6	50.3	51.1
Apr	6.9	92.0	1.1	5.9	52.9	52.6



At 52.6 in April, from 51.1 in the previous month, the seasonally adjusted Stocks of Purchases Index was at a level indicative of moderate growth in pre-production inventories. Indian manufacturers reported increasing stock levels in response to rising production requirements, although the majority of panel members (92%) indicated no-change in their held inventory levels.

**Notes on Data and Survey Methodology**

The Purchasing Managers' Index Report is based on data compiled from monthly replies to questionnaires sent to purchasing executives in over 500 industrial companies. The panel is stratified geographically and by National Industrial Classification (NIC) group, based on the regional, and industry contribution to Indian manufacturing output.

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'.

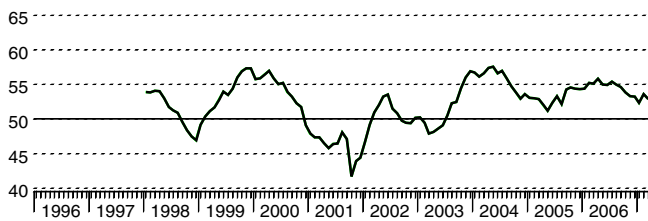
Diffusion indexes have the properties of leading indicators and are convenient summary measures showing the prevailing direction of change. An index reading above 50 indicates an overall increase in that variable, below 50 an overall decrease. All data are seasonally adjusted.

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. The PMI is designed to show a convenient single-figure summary of the health of the manufacturing sector.

**International Data on Manufacturing**

**Global Purchasing Managers' Index**

50.0 = no change compared to previous month

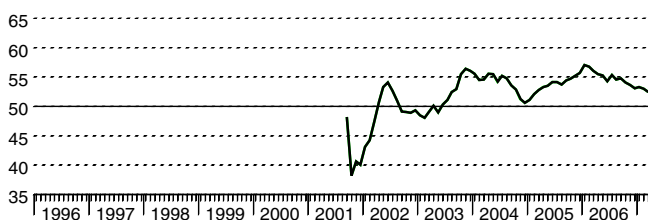


Sources: JPMorgan; NTC Research.

Although rates of expansion for production and new orders moderated in March, conditions in the global manufacturing sector remained relatively solid overall. This was highlighted by the JPMorgan Global Manufacturing PMI posting 52.9, down from February's 53.7, but a level still comfortably above the no-change mark of 50.0.

**Japan Purchasing Managers' Index**

50.0 = no change compared to previous month

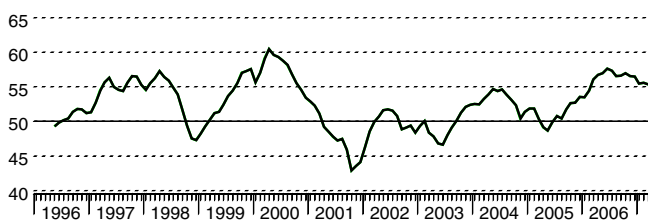


Sources: Nomura; JMMA; NTC Research.

The Nomura/JMMA Purchasing Managers' Index remained above the crucial 50.0 no-change mark for a forty-sixth successive month in March. At 52.5, the headline index pointed to a solid improvement in operating conditions. However, the latest reading was the lowest recorded since February 2005.

**Eurozone Purchasing Managers' Index**

50.0 = no change compared to previous month

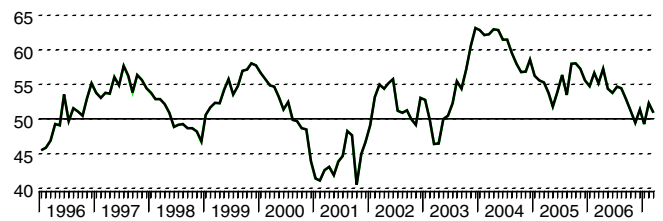


Sources: RBS; NTC Research.

Manufacturing business conditions continued to improve in March. At 55.4, the seasonally adjusted RBS/NTC Manufacturing PMI signalled an improvement in the health of the sector for the twenty-first consecutive month, but the rate of growth eased marginally to the slowest since February 2006.

**US Purchasing Managers' Index**

50.0 = no change compared to previous month

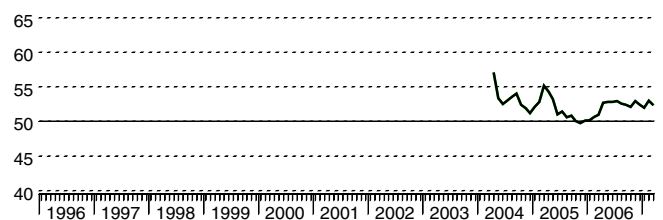


Source: Institute for Supply Management (ISM).

Latest PMI data pointed to further signs of weakness in US manufacturing growth. The ISM Purchasing Managers' Index fell to 50.9 in March, from 52.3, signalling only moderate growth of the sector. Cost inflation picked up sharply to reach its highest since August 2006, and employment declined for the fourth time in the past five months.

**China Purchasing Managers' Index**

50.0 = no change compared to previous month

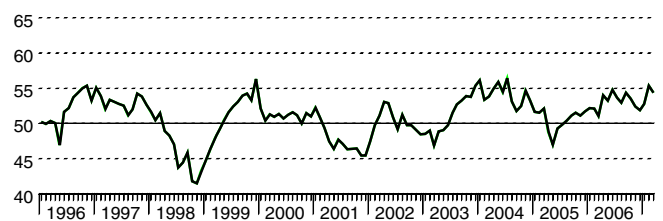


Sources: CLSA; NTC Research.

Latest survey data signalled that business conditions in the Chinese manufacturing sector continued to improve in March. Although still indicative of a strong rate of expansion, the CLSA Purchasing Managers' Index fell slightly from 53.0 in February to 52.3 in March.

**UK Purchasing Managers' Index**

50.0 = no change compared to previous month



Sources: CIPS; RBS; NTC Research.

At 54.4 in March, the seasonally adjusted CIPS/RBS Purchasing Managers' Index signalled that the current improvement in UK manufacturing operating conditions retained noticeable momentum. The PMI lost little ground from the two-and-a-half year high of 55.4 posted in February.

**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 over 500 companies. The panel is stratified geographically and by National Industrial Classification (NIC) group, based on regional and industry contribution to Indian manufacturing output. 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 derived from the Chartered Institute of Purchasing & Supply's survey of the UK economy: 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.

**NTC Research**

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