

News Release

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HSBC Flash India PMI[®]

Business activity rises strongly, albeit at slowest pace in year-to-date

Key findings

HSBC Flash India Composite PMI Output Index: 59.3 (August final: 60.7)

HSBC Flash India Services PMI Business Activity Index: 58.9 (August final: 60.9)

HSBC Flash India Manufacturing PMI Output Index: 60.0 (August final: 60.3)

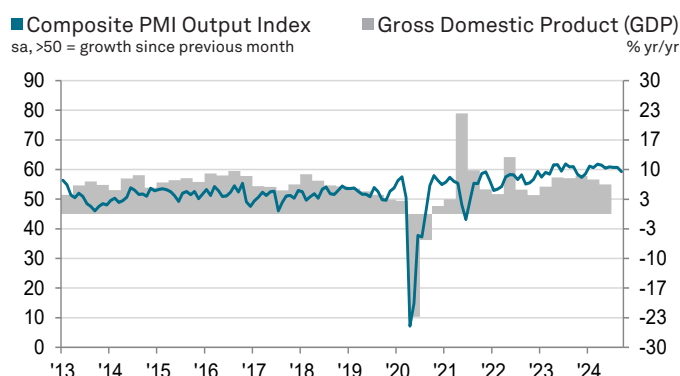
HSBC Flash India Manufacturing PMI: 56.7 (August final: 57.5)

The latest HSBC 'flash' PMI[®] survey, compiled by S&P Global, signalled ongoing strong growth across the Indian private sector during September, although both output and new orders rose at the slowest rates in 2024 so far. Meanwhile, employment continued to rise solidly amid improved business confidence. Rates of both input cost and output price inflation were relatively muted, with service providers raising their charges at the slowest pace in just over two-and-a-half years.

The headline **HSBC Flash India Composite* Output Index** – a seasonally adjusted index that measures the month-on-month change in the combined output of India's manufacturing and service sectors – dipped to 59.3 in September from 60.7 in August. The index pointed to another rapid monthly increase in business activity, albeit one that was the least pronounced in 2024 so far. Softer expansions were seen across both the manufacturing and services sectors.

The **HSBC Flash India Manufacturing PMI** – a single-figure snapshot of factory business conditions calculated from measures of new orders, output, employment, supplier delivery times and stocks of purchases – posted 56.7 in September, down from 57.5 in August. The reading signalled a further marked strengthening in business conditions for goods producers, but the rate of improvement was the softest since January.

According to respondents, the expansion in total business activity generally reflected increasing new orders, which continued to rise sharply. Here too, however, the pace of growth eased and was the softest in the year-to-date. This was the case with regards to both total new business and new export orders.



Sources: HSBC, S&P Global PMI, CSO via S&P Global Market Intelligence.

*Composite PMI indices are weighted averages of comparable manufacturing and services PMI indices. Weights reflect the relative size of the manufacturing and service sectors according to official GDP data.

Data were collected 9-18 September 2024.

Comment

Pranjul Bhandari, Chief India Economist at HSBC, said:

"The flash composite PMI in India rose at a slightly slower pace in September, marking the slowest growth observed in 2024. Both the manufacturing and service sectors exhibited similar trends during the month. Nevertheless, the pace of growth remained well above the long-term average. Growth in new orders moderated by a touch in September, but hiring levels rose at a faster pace, supported by improving business confidence. In fact, the rise in employment in the service sector was the steepest since August 2022, as companies responded to robust growth in new orders. On the price front, input cost inflation rose at a slightly quicker pace in September. Rates of increase in output charges slowed in both sectors, with manufacturers experiencing a larger slowdown, implying a bigger reduction in their margins."

Companies were generally able to keep on top of workloads in September, as shown by backlogs of work rising only fractionally and at the slowest pace in just over two-and-a-half years.

Helping firms to keep up with demand was a further solid expansion of staffing levels, with the rate of job creation ticking up from that seen in August and remaining above the series average. The rise in employment in the service sector was the steepest since August 2022 as companies responded to higher new orders, often through the hiring of workers on a permanent basis. Meanwhile, the pace of jobs growth in manufacturing eased.

As well as taking on extra staff, Indian manufacturers also expanded their purchasing activity during September. This helped to support a further marked increase in stocks of inputs as suppliers continued to deliver goods in a timely manner. On the other hand, stocks of finished goods decreased to the largest extent in four months, in part due to a slowdown in growth of production.

The pace of input cost inflation in the Indian private sector remained relatively muted in September, despite rising slightly from that seen in August. Marginally faster increases were seen across both the manufacturing and services sectors. Where costs rose, firms generally linked this to higher prices for raw materials and electricity.

The rate of output price inflation remained similarly muted in the latest survey period, coming in just below the series average. In fact, the latest rise in charges was only modest and the least marked since February. The pace of inflation in the manufacturing sector remained solid, despite easing further from July's recent peak. Meanwhile, service providers increased their charges at the slowest pace since February 2022.

Despite the softer expansions in both output and new orders in September, companies in India remained strongly optimistic that business activity will increase over the coming year. Moreover, confidence strengthened from August and was above the average since the series began in 2012. Firms generally expect to be able to secure new business over the next 12 months, thereby supporting output growth. Sentiment improved in both monitored sectors.

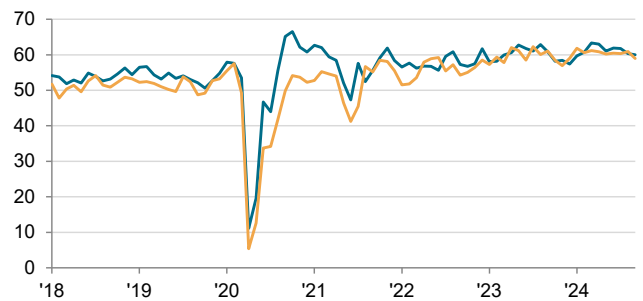
HSBC India Manufacturing PMI

sa, >50 = growth since previous month



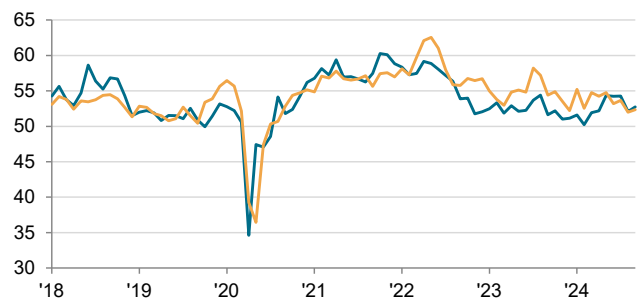
Sources: HSBC, S&P Global PMI.

■ Manufacturing PMI Output Index
 ■ Services PMI Business Activity Index
 sa, >50 = growth since previous month



Sources: HSBC, S&P Global PMI.

■ Manufacturing PMI Input Prices Index
 ■ Services PMI Input Prices Index
 sa, >50 = inflation since previous month



Sources: HSBC, S&P Global PMI.

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Survey methodology

The HSBC Flash India PMI® is compiled by S&P Global from responses to questionnaires sent to survey panels of around 400 manufacturers and 400 service providers. The panels are each stratified by detailed sector and company workforce size, based on contributions to GDP. The services sector is defined by S&P Global as consumer (excluding retail), transport, information, communication, finance, insurance, real estate and business services.

Survey responses are collected in the second half of each month and indicate the direction of change compared to the previous month. The following variables are monitored:

Manufacturing: Output, new orders, new export orders, backlogs of work, stocks of finished goods, employment, quantity of purchases, suppliers' delivery times, stocks of purchases, input prices, output prices, future output.

Services: Business activity, new business, new export business, outstanding business, employment, input prices, prices charged, future activity.

A diffusion index is calculated for each manufacturing and services variable. The index is the sum of the percentage of 'higher' responses and half the percentage of 'unchanged' responses. The indices vary between 0 and 100, with a reading above 50 indicating an overall increase compared to the previous month, and below 50 an overall decrease. The indices are then seasonally adjusted.

Composite indices for are calculated by weighting together comparable manufacturing and services indices using official manufacturing and services annual value added.

The headline figure is the Composite Output Index. This is a weighted average of the Manufacturing Output Index and the Services Business Activity Index. It may be referred to as the 'Composite PMI' but is not comparable with the headline Manufacturing PMI, which is a weighted average of five manufacturing indices (including the Manufacturing Output Index).

The headline manufacturing figure is the Manufacturing Purchasing Managers' Index™ (PMI). The PMI is a weighted average of the following five indices: New Orders (30%), Output (25%), Employment (20%), Suppliers' Delivery Times (15%) and Stocks of Purchases (10%). For the PMI calculation the Suppliers' Delivery Times Index is inverted so that it moves in a comparable direction to the other indices.

The headline services figure is the Services Business Activity Index. This is a diffusion index calculated from a single question that asks for changes in the volume of business activity compared with one month previously. The Business Activity Index is comparable to the Manufacturing Output Index. It may be referred to as the 'Services PMI' but is not comparable with the headline Manufacturing PMI.

Flash data are calculated from around 80-90% of total responses and are intended to provide an accurate early indication of the final data. Since flash data were first processed, the average differences between final and flash index values for the headline indices are:

Composite Output Index = -0.1 (absolute difference = 0.5)

Services Business Activity Index = -0.1 (absolute difference = 0.6)

Manufacturing PMI = -0.1 (absolute difference = 0.4)

Underlying final survey data are not revised after publication, but seasonal adjustment factors may be revised from time to time as appropriate which will affect the seasonally adjusted data series.

For further information on the PMI survey methodology, please contact economics@spglobal.com.

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About PMI

Purchasing Managers' Index™ (PMI®) surveys are now available for over 40 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. www.spglobal.com/marketintelligence/en/mi/products/pmi

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