News Release

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HSBC Flash India PMI®

Growth in sales and employment surges amid rising inflation

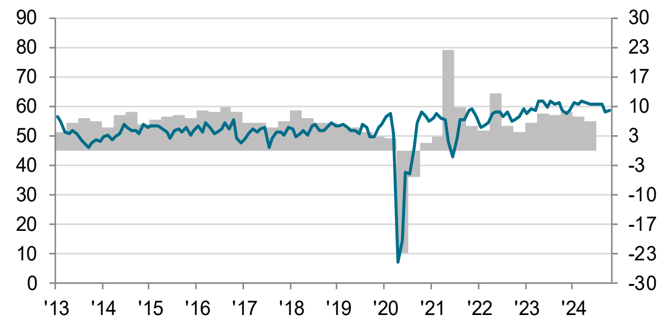
Key findings

HSBC Flash India Composite PMI Output Index: 58.6 (September final: 58.3)

HSBC Flash India Services PMI Business Activity Index: 57.9 (September final: 57.7)

HSBC Flash India Manufacturing PMI Output Index: 60.1 (September final: 59.8)

HSBC Flash India Manufacturing PMI: 57.4 (September final: 56.5)



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 9-21 October 2024.

India's private sector economy continued to showcase robust growth in October, according to the latest HSBC 'flash' PMI® survey compiled by S&P Global. A quicker upturn in new work intakes encouraged companies to scale up business activity and recruit additional workers. The uptick in growth momentum was accompanied by an intensification of price pressures. Manufacturers outperformed service providers regarding rates of expansion for output and sales, and also recorded faster increases in input costs and selling charges. Meanwhile, hiring was stronger in the service sector.

Posting 58.6 in October, the **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 – was inside growth territory (above 50.0) for the thirty-ninth successive month. Moreover, the headline figure rose from a final reading of 58.3 in September and outpaced its long-run average of 54.7. The acceleration in growth was supported by quicker increases in factory production and services activity.

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 – recovered from September's eight-month low of 56.5 to 57.4 in October. Registering well above the series trend, the latest figure was consistent with a substantial improvement in the health of the sector.

Indian businesses indicated a sharp increase in new order intakes during October. The expansion, which was mostly linked to positive demand trends, was also stronger than that recorded in September. As was the case for output, manufacturing led the upturn in sales despite rates of

Comment

Pranjul Bhandari, Chief India Economist at HSBC, said:

"India's flash manufacturing PMI indicated that the manufacturing industry regained growth momentum in October. Several components accelerated after a modest slowdown over the past two to three months. New orders and new export orders expanded at faster rates, providing a good omen for industrial production for the remaining months of 2024. Manufacturers' profit margins are still under pressure as input price inflation continued to pick up pace. Manufacturers are trying to pass on higher costs to downstream consumers by raising output prices."

PMI by S&P Global

HSBC

growth quickening in both segments.

Latest data revealed that part of the upturn in total new orders was fuelled by an improvement in international demand for Indian goods and services. Rates of expansion in export sales accelerated at manufacturing firms and their services counterparts.

October data showed a mild pick-up in capacity pressures among Indian companies, as outstanding business volumes rose to the greatest extent in three months. Trends diverged at the sub-sector level, however, as a marginal decline in backlogs at goods producers contrasted with the joint-fastest accumulation at service providers since May.

Subsequently, hiring activity was more pronounced in the service economy. The latest increase in employment was sharp and the quickest in 18-and-a-half years. Nevertheless, jobs still rose at a marked pace in the manufacturing industry, supporting the best upturn in payroll numbers at the composite level since February 2006. Anecdotal evidence indicated that part- and full-time workers had been taken on, with both permanent and temporary contracts offered.

Manufacturing-only data also showed that ongoing restocking efforts fuelled growth of input purchasing during October. Pre-production inventories rose substantially as a result, but the fulfilment of sales from warehouses triggered another slight fall in stocks of finished goods. Meanwhile, supplier delivery times shortened for the eighth straight month.

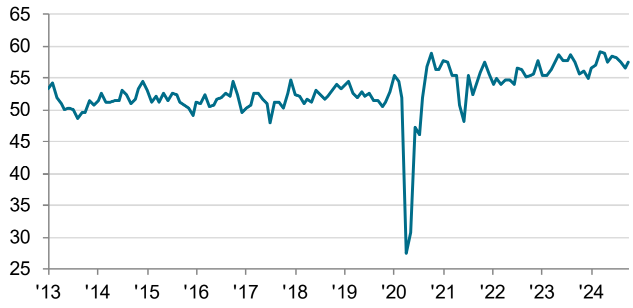
Input cost inflation at the composite level picked up to the strongest in three months, amid marginally quicker increases at both goods producers and service providers. According to survey participants, chemicals, eggs, meat, packaging, steel and vegetables all rose in price. Yet, the overall rate of cost inflation remained below the survey average.

With demand conditions remaining favourable and cost pressures intensifying, private sector companies in India lifted their own selling prices at the start of the third fiscal quarter. The rate of charge inflation was above its trend, and climbed to a three-month high. Notably, manufacturers posted the sharpest upturn in 11 years.

Trends for business confidence were mixed at the sub-sector level. Manufacturers were at their most upbeat since July, while sentiment somewhat faded at services companies. For the private sector overall, the degree of optimism receded but remained above its long-run average.

HSBC India Manufacturing PMI

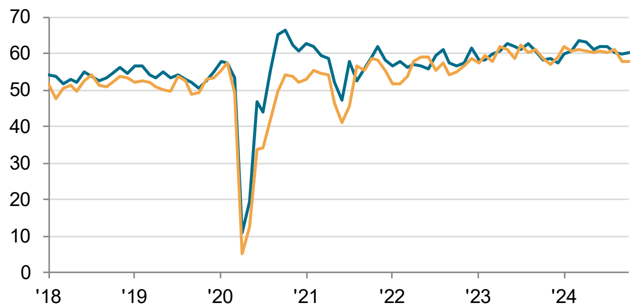
sa, >50 = growth since previous month



Sources: HSBC, S&P Global PMI.

Manufacturing PMI Output Index
Services PMI Business Activity Index

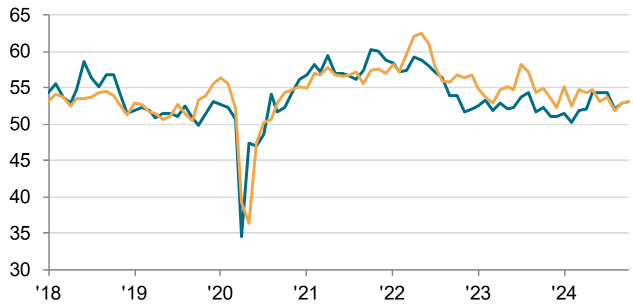
sa, >50 = growth since previous month



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.

About HSBC

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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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