

News Release

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HSBC India Manufacturing PMI®

Manufacturing PMI signals strong albeit softer growth

Key findings

Output and sales rise at slower rates

Weakest increase in exports for a year-and-a-half

Cost inflation historically mild

September data revealed a mild setback in manufacturing growth across India. For the third straight month, rates of expansion in factory production and sales receded, both of which were at their weakest since the turn of the year but above their respective long-run averages. Notably, international orders rose at the slowest pace in a year-and-a-half. Despite this loss of growth momentum, net employment and quantities of purchases rose, while business confidence was broadly aligned with its long-run average. On the price front, there were moderate increases in input costs and selling charges.

The seasonally adjusted HSBC India Manufacturing Purchasing Managers' Index™ (PMI®) fell from 57.5 in August to 56.5 in September, highlighting a robust improvement in the health of the sector that was nonetheless the weakest since January. With manufacturing growth softening throughout the second fiscal quarter, the average PMI reading slipped to its lowest since the three months to December 2023.

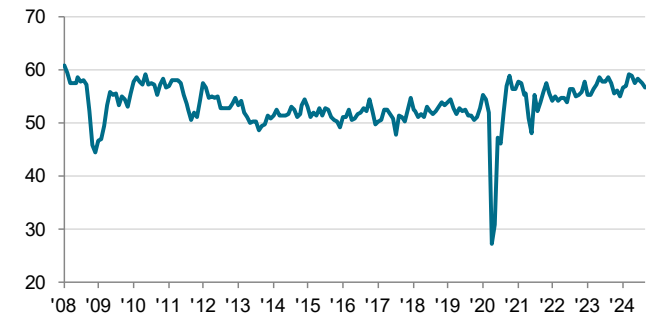
Positive demand trends, successful advertising and favourable client interest featured as the main determinants of sales growth among the qualitative part of the survey. The upturn, which was substantial but the slowest in 2024 so far, was reportedly curbed by fierce competition.

Another factor that constrained total sales growth was a softer increase in new export orders. The rate of expansion was moderate and the least pronounced in a year-and-a-half.

Factories continued to produce goods at a robust pace that outpaced the long-run series average. That said, with growth softening in the consumer and capital goods segments whilst steadying at intermediate goods makers, the overall rate of expansion retreated to an eight-month low.

Cost pressures ticked higher in September, with panellists citing increased chemical, packaging, plastic and metal prices. In historical terms, the rate of inflation was mild, however.

HSBC India Manufacturing PMI
sa, >50 = improvement since previous month



Sources: HSBC, S&P Global PMI.

Data were collected 09-24 September 2024.

Comment

Pranjul Bhandari, Chief India Economist at HSBC, said:

“Momentum in India’s manufacturing sector softened in September from the very strong growth in the summer months. Output and new orders grew at a slower pace, and the deceleration in export demand growth was especially evident as the new export orders PMI was the lowest since March 2023. Input prices rose at a faster rate in September while factory gate price inflation eased, intensifying the compression on manufacturers’ margin. Weaker profit growth might have an impact on companies’ hiring demand, as the pace of employment growth slowed for a third month.”

As a result of rising purchasing prices, as well as greater labour costs and favourable demand conditions, Indian manufacturers lifted their charges in September. The rate of inflation softened to a five-month low and was similar to that seen for input costs.

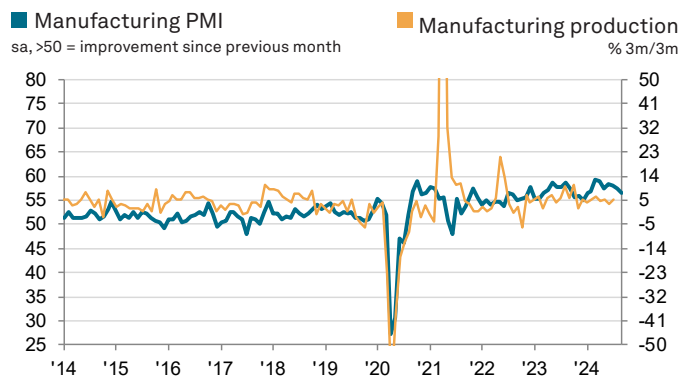
September data highlighted another substantial increase in quantities of purchases among goods producers. The rise was supported by new business growth, positive client appetite and greater production requirements. Yet, input buying expanded at the slowest pace in the calendar year-to-date.

Hiring growth also receded in September, reflecting a reduction in the number of part-time and temporary workers at some firms. Those that recruited extra staff cited projects in the pipeline.

The combination of job creation and slower increases in new business meant that companies were able to stay on top of their workloads. Outstanding business volumes were unchanged in September, ending an 11-month sequence of accumulation.

Inventory trends were mixed. The current sequence of falling stocks of finished goods that began more than seven years ago was stretched to September, while holdings of raw materials increased sharply again. The latter was supported by a further improvement in average lead times.

Around 23% of Indian manufacturers forecast output growth in the year ahead, while the remaining firms predict no change. Hence, the overall level of business confidence fell to its lowest since April 2023.



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

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Survey methodology

The HSBC India Manufacturing PMI® is compiled by S&P Global from responses to questionnaires sent to purchasing managers in a panel of around 400 manufacturers. The panel is stratified by detailed sector and company workforce size, based on contributions to GDP. Data collection began in March 2005.

Survey responses are collected in the second half of each month and indicate the direction of change compared to the previous month. A diffusion index is calculated for each survey 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.

The headline figure is the 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.

Underlying 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 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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