

News Release

Embargoed until 1030 IST (0500 UTC) 16 December 2024

HSBC Flash India PMI[®]

Indian economy makes strong end to 2024

Key findings

HSBC Flash India Composite PMI Output Index: 60.7 (November final: 58.6)

HSBC Flash India Services PMI Business Activity Index: 60.8 (November final: 58.4)

HSBC Flash India Manufacturing PMI Output Index: 60.4 (November final: 59.1)

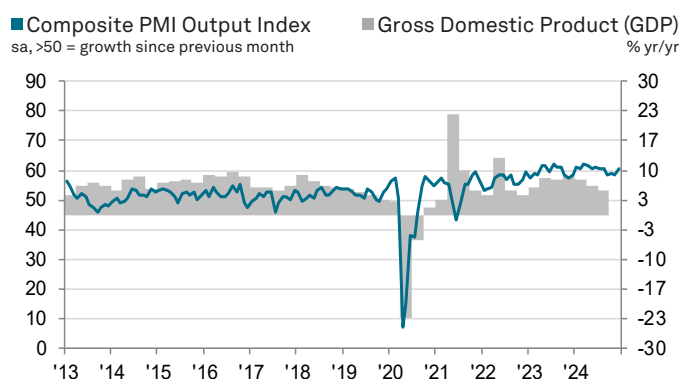
HSBC Flash India Manufacturing PMI: 57.4 (November final: 56.5)

Indian private sector output growth strengthened to its highest in four months during December, according to the latest HSBC 'flash' PMI[®] data compiled by S&P Global. The acceleration was reflected in both the manufacturing and service sectors, as companies across the two segments welcomed a faster upturn in new business intakes. Aggregate job creation climbed to a survey peak amid a faster increase in outstanding business volumes and optimistic expectations for output in 2025. Meanwhile, a moderation in cost pressures somewhat curbed charge inflation.

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 – registered 60.7 at the end of the 2024 calendar year. Rising from a final reading of 58.6 in November, the latest reading highlighted the strongest growth rate for four months. There were quicker increases in output at both goods producers and service providers.

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 November's two-month low of 56.5 to 57.4 in December. This pointed to an improvement in manufacturing sector conditions that was substantial and stronger than seen on average across the series history.

Demand for Indian goods and services continued to improve in December, as seen by a sharp increase in new orders that was the most pronounced since July. Service providers led the rise in sales, although growth strengthened across the two tracked sectors.



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 04-11 December 2024.

Comment

Ines Lam, Economist at HSBC, said:

"In this flash release, the small rise in the headline manufacturing PMI in December was mainly driven by gains in current production, new orders and employment. The expansion in new domestic orders quickened, suggesting a pick-up in growth momentum in the economy. In addition, sustained increases in input costs have pushed manufacturers to continue to raise selling prices. The output price index rose to its highest level since February 2013."

Improving international demand for Indian goods and services continued to boost total sales, as seen by a sustained upturn in new export orders. Moreover, December's expansion was marked and the quickest in five months. On this front, manufacturing companies recorded a faster increase than their services counterparts.

With new business remaining on an upward trend, private sector firms in India continued to expand operating capacities by recruiting extra staff. The overall rate of growth climbed to a new series peak, amid record increases in both the manufacturing and service sectors. Anecdotal evidence indicated that panellists hired a combination of permanent and temporary workers.

One factor that supported job creation in December was a further increase in work pending completion. Across the private sector, the latest rise in backlogs was the joint-fastest seen since August 2022 (equal to May 2024). Service providers posted a quicker expansion in outstanding business volumes than goods producers.

For the second month in a row, business optimism among private sector companies strengthened in December. The overall level of positive sentiment rose to its highest since September 2023, as both manufacturers and services firms became more upbeat towards the year-ahead outlook for output. Qualitative data showed that positive demand expectations and better customer relations were central to upbeat forecasts.

December 'flash' data showed that cost pressures across India's private sector receded from September's 15-month high, broadly converging to its long-run average. Where an increase in expenses was reported, companies suggested that food, freight, labour, leather and rubber costs rose. Rates of inflation were broadly similar across the manufacturing and service sectors.

Amid reports of rising costs burdens and demand strength, private sector companies in India continued to increase their selling prices in December. The rate of charge inflation eased from November's near 12-year high, but remained above the series trend. Goods producers were more aggressive in their price setting than service providers.

Finally, manufacturing-only data showed that firms scaled up input purchasing in December. Coupled with another improvement in vendor performance, the latest rise in buying levels underpinned a further increase in pre-production inventories. Finished goods stocks slipped into contraction territory, however, as companies accessed warehoused goods to fulfil rising demand needs.

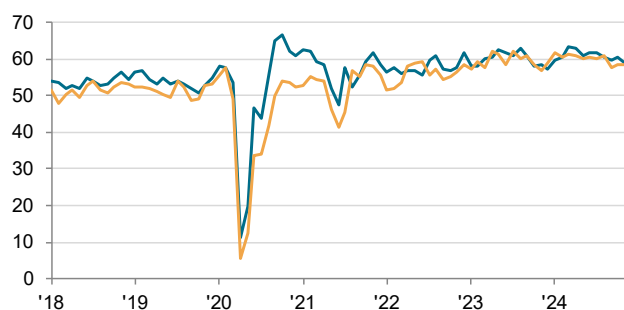
HSBC India Manufacturing PMI

sa, >50 = growth since previous month



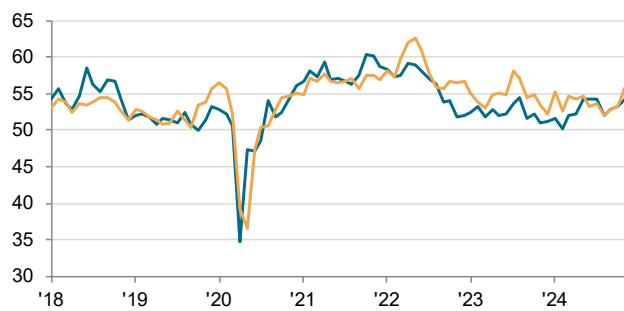
Sources: HSBC, S&P Global PMI.

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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