

News Release

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HSBC India Manufacturing PMI®

New order growth slows as charge inflation hits 11-year high

Key findings

PMI slips to 56.5, but remains firmly in expansion

Softer increases in factory orders and production

Steepest upturn in output charges since October 2013

The HSBC India Manufacturing PMI® showed another substantial improvement in the health of the sector during November, despite downward movements in most of its sub-components. Positive demand trends fed through to sharp expansions in sales and output, though firms indicated that growth was somewhat restricted by competitive conditions and prices pressures. In this regard, the latest results showed that a quicker upturn in cost burdens sparked the steepest rise in selling prices in over 11 years.

Falling from 57.5 in October to a joint 11-month low of 56.5 in November, the seasonally adjusted HSBC India Manufacturing Purchasing Managers' Index™ (PMI) signalled a softer improvement in the health of the sector. That said, the pace of growth remained above its long-run average.

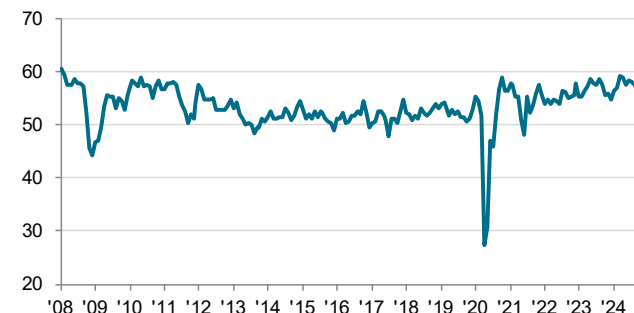
Goods producers experienced a weaker, albeit still robust, upturn in new business intakes during November. The rate of expansion was the second-weakest in 11 months, ahead of that registered in September. Growth was supported by favourable demand conditions, but stymied by fierce competition and price pressures.

Indeed, the latest results showed that Indian goods producers increased their selling prices to the greatest extent since October 2013. Survey participants suggested that additional outlays on freight, labour and materials had been shared with clients.

Input cost inflation intensified midway through the third fiscal quarter, reaching its highest mark since July but remaining below its long-run average. Items such as chemicals, cotton, leather and rubber were reported as up in price.

Although price pressures curbed domestic sales to a certain extent, growth of new export orders gained momentum. The rate of expansion in international demand was the best seen for four months, with panellists reporting gains from Bangladesh, mainland China, Colombia, Iran, Italy, Japan, Nepal, the UK and the US.

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



Sources: HSBC, S&P Global PMI.

Data were collected 11-25 November 2024.

Comment

Pranjul Bhandari, Chief India Economist at HSBC, said:

"India recorded a 56.5 manufacturing PMI in November, down slightly from the prior month, but still firmly within expansionary territory. Strong broad-based international demand, evidenced by a four-month high in new export orders, fuelled the Indian manufacturing sector's continued growth. At the same time, however, the rate of output expansion is decelerating due to intensifying price pressures. Input prices for a variety of intermediate goods — including chemicals, cotton, leather, and rubber — rose in November, while output prices soared to an eleven-year high as rising input, labour, and transportation costs were passed on to consumers."

With demand conditions remaining favourable, Indian manufacturers continued to scale up production. The rate of expansion receded to the weakest in the calendar year-to-date, though remained historically strong. The slowdown reportedly reflected competitive conditions, inflationary pressures and subdued orders at some units.

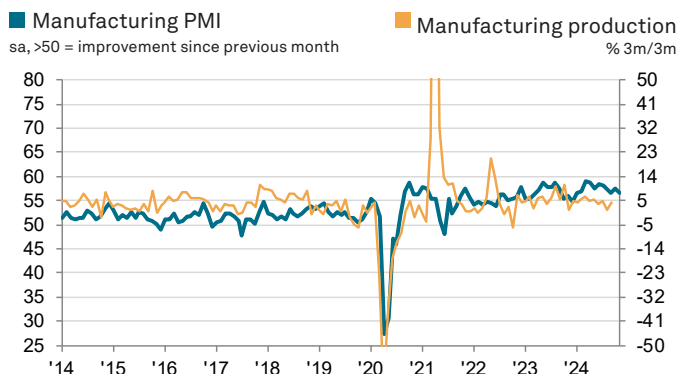
For the ninth month in a row, factory employment in India increased during November. Despite softening from October, the rate of job creation remained solid. According to panel members, staff had been hired on both permanent and temporary bases.

Indian manufacturers purchased additional inputs for use in production processes and to place into inventories. The rise in buying levels was sharp, albeit the weakest in just under a year.

Average lead times shortened further, reportedly due to strong relationships with long-standing suppliers. The improvement in vendor performance was mild but nevertheless the best since July.

Subsequently, manufacturers were able to add to their input stocks again. The rate of accumulation was notably above its long-run average, but retreated to the weakest in 2024 so far. Meanwhile, a sequence of falling stocks of finished goods dating back to August 2017 came to an end.

Business optimism was spurred by predictions that marketing efforts and new product releases will bear fruit. Recent capacity expansion efforts and forecasts of demand strength also underpinned upbeat forecasts for output in 2025.



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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