

News Release

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HSBC India Manufacturing PMI®

Manufacturing growth ticks higher, inflation recedes

Key findings

Growth of factory production and sales reach five-month highs

Strongest expansion in exports since May 2022

Slowest rise in input costs in over three-and-a-half years

India's manufacturing sector approached the end of the current fiscal year with a further pick-up in growth in February, according to the HSBC India PMI®. Production rose at the fastest pace in five months, fuelled the quickest increase in sales since last September and the strongest expansion in new export orders for 21 months.

An associated improvement in demand for raw materials meanwhile supported the rebuilding of input inventories, while supplier delivery times were broadly stable. Concurrently, purchasing cost inflation retreated to a 43-month low, with selling charges increasing to a lesser extent as a result.

The seasonally adjusted HSBC India Manufacturing Purchasing Managers' Index™ (PMI) recovered further from December's 18-month low, rising from 56.5 in January to 56.9 in February. The latest reading pointed to the strongest improvement in the health of the sector since September 2023.

Production levels were raised in tandem with a further steep increase in inflows of new orders, besides advanced technology and buoyant demand conditions. The upturn in manufacturing output was the strongest seen for five months and led by the capital goods category.

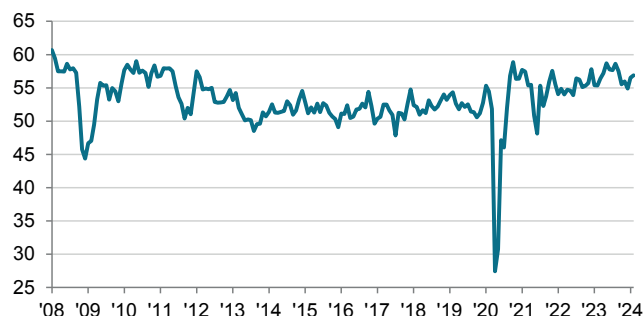
Similarly, factory orders expanded at the quickest pace since September and one that was above the long-run series average. Firms indicated that marketing efforts continued to bear fruit, helped by a positive demand environment.

Notably, new export orders rose at the fastest rate in nearly two years, with anecdotal evidence highlighting Australia, Bangladesh, Brazil, Canada, mainland China, Europe, Indonesia, the US and UAE as sources of demand growth.

Input costs meanwhile increased only fractionally, with the rate of inflation subsiding to the weakest in the current sequence of inflation that stretches back to August 2020. Qualitative evidence highlighted higher prices for iron, paper and plastics parallel to reductions for cotton and steel.

HSBC India Manufacturing PMI

sa, >50 = improvement since previous month



Sources: HSBC, S&P Global PMI.

Data were collected 09-23 February 2024.

Comment

Ines Lam, Economist at HSBC, said:

"The HSBC final India Manufacturing PMI indicates that production growth continued to be strong, supported by both domestic and external demand. Manufacturing firms' margins improved as input price inflation slipped to the lowest since July 2020. Buoyed by robust demand and improving profit margins, manufacturers have an optimistic outlook about future business conditions."

Prices charged by Indian manufacturers increased at a slower rate, the joint-weakest since March 2023. Among the 8% of panellists that hiked their fees, there were mentions of the passing on of greater freight, material and wage costs to clients.

February saw a further pick-up in manufacturers' purchasing activity, with the rate of growth up to the fastest since September 2023. Firms reportedly scaled up buying levels in response to greater production requirements, sustained increases in sales and to build safety stocks.

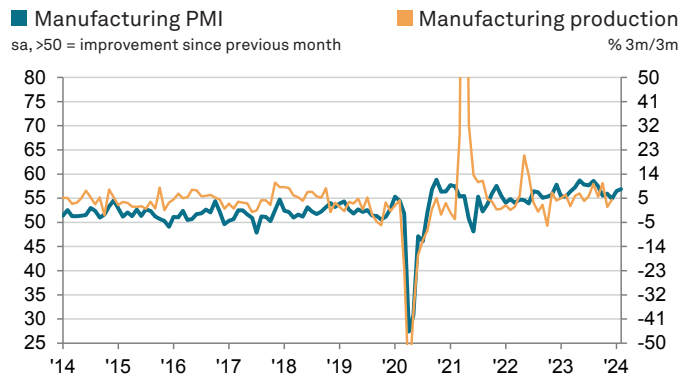
Indeed, stocks of purchases rose at the fastest rate since last August as suppliers were comfortably able to deliver materials in a timely manner.

Average lead times on inputs were broadly stable again in February, a trend that has been apparent for six months in succession.

Despite the uptick in growth momentum, manufacturing employment in India was little-changed halfway through the final fiscal quarter. Goods producers mentioned that payroll numbers were sufficient for current requirements.

The latest results indicated that capacity pressures at goods producers in India remained mild, as seen by only a slight increase in work pending completion. The uptick was also softer than that registered in January.

Finally, February survey data indicated sustained optimism among manufacturers regarding the year-ahead outlook for production. The overall level of confidence was the second-highest since December 2022.



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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