

News Release

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HSBC Flash India PMI[®]

Indian private sector economy continues to thrive in August

Key findings

HSBC Flash India Composite PMI Output Index: 60.5 (July final: 60.7)

HSBC Flash India Services PMI Business Activity Index: 60.4 (July final: 60.3)

HSBC Flash India Manufacturing PMI Output Index: 60.9 (July final: 61.7)

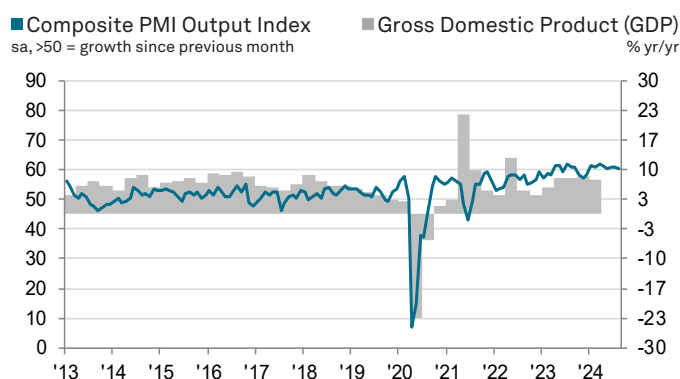
HSBC Flash India Manufacturing PMI: 57.9 (July final: 58.1)

August data indicated a thirty-seventh consecutive monthly rise in private sector output across India, with the rate of expansion remaining substantial by historical standards. The latest HSBC 'flash' PMI[®] survey, compiled by S&P Global, also highlighted a sharp upturn in new business intakes, solid job creation and upbeat expectations towards growth prospects. On the price front, there were softer increases in both input costs and selling prices.

The headline **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 – stood at 60.5 in August, little changed from 60.7 in July and pointing to a sharp rate of expansion that was above its long-run trend level (54.6). There was a softer increase in manufacturing industry output and a fractionally stronger rise in activity across the service economy. Yet, the former led the upturn.

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 – slipped from 58.1 in July to a three-month low of 57.9 in August. The latest reading was nevertheless above the historical average (54.0) and signalled a strong improvement in the health of the sector.

Amid reports of demand strength and favourable market conditions, alongside brand recognition and successful advertising, private sector companies in India experienced another increase in new orders midway through the second fiscal quarter. Despite slowing to the weakest since May, the pace of expansion was sharp. Rates of growth were broadly similar at goods producers and service providers.



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 9-19 August 2024.

Comment

Pranjul Bhandari, Chief India Economist at HSBC, said:

“India’s flash composite PMI slipped slightly in August, though it remained significantly higher than the historical average. The manufacturing sector experienced a softer rise in output, while services firms saw a slightly quicker rise in business activity. Although new order growth for the manufacturing sector slowed to the weakest since February, the pace of expansion remained sharp, indicating continued strong demand and favourable market conditions. Notably, output price inflation in the manufacturing sector rose to an 11-year high, despite a slight slowdown in input prices, suggesting that manufacturers were able to pass on higher prices to customers. Additionally, there were signs of capacity pressures across the private sector, as evidenced by a further increase in backlogs of work. However, manufacturing firms reported the first decline in outstanding business volumes for the first time in eleven months, while service providers indicated another monthly rise. Overall, firms remain optimistic, although the level of business confidence moderated due to concerns over inflation and competition.”

When it came to international sales, services firm saw a stronger upturn than their manufacturing counterparts, although rates of increase softened in each case. At the composite level, new export orders rose at a pace that was the weakest since April, though nevertheless among the quickest since the series started a decade ago.

Although there were signs of capacity pressures at private sector companies in India, evidenced by a further increase in backlogs, trends diverged at the sub-sector level. Goods producers reported the first decline in outstanding business volumes in just under a year, while service providers indicated a thirty-second consecutive monthly rise. The pace of accumulation was mild among the latter, and the weakest since February.

One factor that supported the clearing of backlogs at manufacturers was another round of job creation. Moreover, the pace of employment growth was marked and broadly similar to July. Payroll numbers also rose solidly in the service economy, supporting a twenty-seventh successive month of expansion at the composite level.

In order to safeguard against input shortages and ensure that production volumes can meet rising demand requirements, manufacturers purchased additional raw materials and semi-finished items in August. The pace of expansion was sharp and the strongest in four months. With suppliers' delivery times shortening further, stocks of purchases increased at one of the fastest rates seen in 19-and-a-half years of data collection.

Companies operating across India's private sector signalled a further increase in cost burdens during August. According to panellists, building maintenance, food, labour, raw material (e.g., iron, leather and rubber) and transportation costs rose. The overall rate of inflation eased to a six-month low, however, and was modest. Index readings for the manufacturing and service sectors were generally alike.

Charge inflation climbed to a near 11-year high at goods producers, whilst softening at service providers. At the composite level, the latest increase in selling prices was solid and above its long-run average, despite softening since July.

Private sector companies in India forecast higher output levels in the year ahead, amid expectations that demand conditions will remain favourable. New client enquiries and marketing efforts also supported positive sentiment in August, which somewhat faded due to inflation and competition concerns.

HSBC India Manufacturing PMI

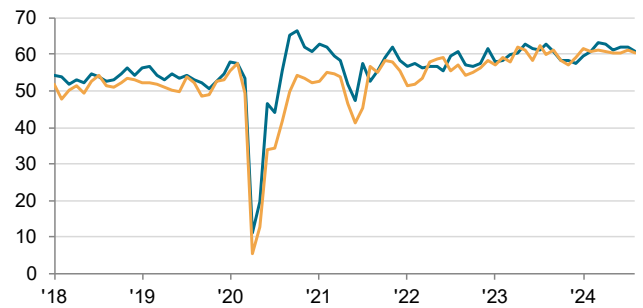
sa, >50 = growth since previous month



Sources: HSBC, S&P Global PMI.

Manufacturing PMI Output Index
Services PMI Business Activity Index

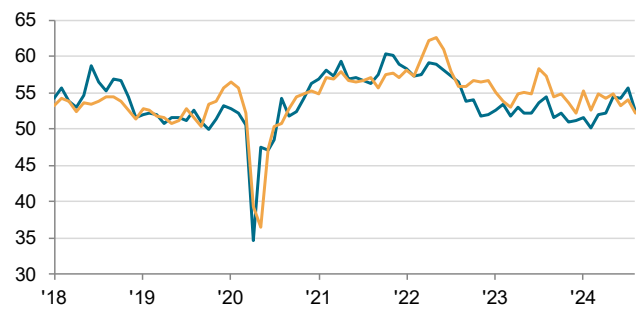
sa, >50 = growth since previous month



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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