

News Release

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HSBC India Manufacturing PMI®

Manufacturing industry caps off 2023 with robust growth and minimal inflation

Key findings

PMI slips to 54.9 in December, but remains above long-run trend

Substantial rises in new orders and production

Input cost inflation among weakest in three-and-a-half years

The HSBC India Manufacturing PMI® survey, conducted by S&P Global, showed the sector still expanding strongly in December despite a loss of growth momentum. There were softer, albeit sharp, increases in factory orders and output, while business confidence towards the year-ahead outlook strengthened.

Encouragingly, input costs rose at the second-slowest rate in nearly three-and-a-half years and charge inflation softened to a nine-month low.

Despite falling from 56.0 in November to an 18-month low of 54.9 in December, the seasonally adjusted HSBC India Manufacturing Purchasing Managers' Index™ (PMI) was indicative of a marked improvement in the health of the sector. The latest reading was above the long-run series trend, but contributed to the lowest quarterly average (55.5) since Q1 fiscal year 2022-23.

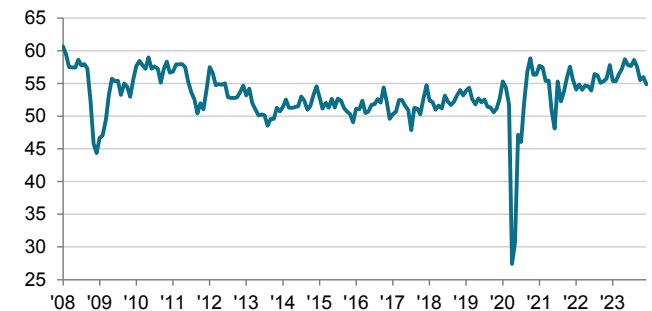
New business gains, favourable market conditions, fairs and expositions collectively induced another sharp increase in manufacturing production during December, according to panellists. That said, the rate of expansion softened to the weakest since October 2022 even as it remained above its long-run average. Growth was reportedly curbed by fading demand for certain types of products.

In a similar vein to the trend for output, new orders placed with Indian manufacturers rose sharply but to a lesser extent in December. The pace of expansion was the slowest seen in a year-and-a-half.

December data showed a twenty-first consecutive increase in international order receipts at goods producers in India. Companies noted gains from clients in Asia, Europe, the Middle East and North America. New export sales expanded at a moderate pace that was the joint-slowest in eight months.

Goods producers signalled a further uptick in purchasing costs at the end of the 2023 calendar year. Among the items reported to have been up in price were chemicals, paper and textiles. Little-changed from November, however, the rate of

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



Sources: HSBC, S&P Global PMI.
Data were collected 5-18 December 2023.

Comment

Pranjul Bhandari, Chief India Economist at HSBC, said:

"India's manufacturing sector continued to expand in December, although at a softer pace, following an uptick in the previous month. Growth of both output and new orders softened, but on the other hand, the future output index rose since November. Rates of increase in input and output prices were broadly unchanged."

inflation was negligible by historical standards and was the second-weakest in just under three-and-a-half years.

For the fourth month in a row, the rate of charge inflation surpassed that of input prices. Survey participants that hiked their fees in December mentioned the pass-through of recently absorbed cost burdens to clients.

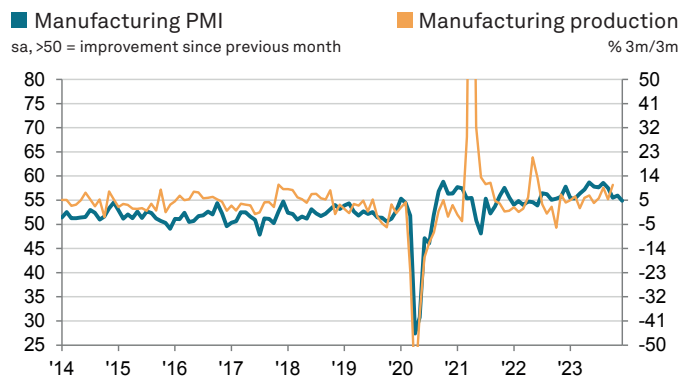
Elsewhere, HSBC India PMI data showed a general lack of pressure on the capacity of manufacturers at the end of the third fiscal quarter. This was evidenced by only a marginal uptick in outstanding business volumes.

Subsequently, employment was largely stable in December, with the respective seasonally adjusted index registering only fractionally above the 50.0 no-change mark.

With regards to stocks, the latest results showed a further increase in input holdings alongside another decline in inventories of finished products. The latter was attributed to the fulfilment of orders from warehoused items.

The key determinant of rising input inventories was a sustained increase in buying levels. Quantities of purchases expanded throughout the latest two-and-a-half years. The pace of growth seen in December was sharp, albeit the slowest since November 2022.

When assessing the year-ahead outlook for production, Indian manufacturers were at their most upbeat for three months. Anecdotal evidence highlighted advertising, better customer relations and new enquiries as the main factors boosting business confidence in December.



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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