

News Release

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HSBC India Manufacturing PMI[®]

Manufacturing sector posts weakest growth rate of 2024

Key findings

At 56.4, final PMI comes in below 'flash' estimate of 57.4

Factory orders and production expand at softer rates

Cost pressures recede

With the sole exception of finished goods stocks, all final index readings for the HSBC India Manufacturing PMI[®] survey came in below their 'flash' estimates. December data showed the sector improving to the least extent in 2024, amid softer increases in output, new orders and stocks of purchases. Rates of growth remained substantial, however, underpinning further expansions in buying levels and employment. Meanwhile, cost pressures receded and were mild, but charge inflation remained historically high.

At 56.4 in December, the seasonally adjusted HSBC India Manufacturing Purchasing Managers' Index[™] (PMI) was at a 12-month low and indicated a weaker improvement in operating conditions. The headline figure was down from 56.5 in November, but remained above its long-run average of 54.1 thereby signalling a robust rate of growth.

Firms continued to report that advertising and positive client appetite supported sales. The latest expansion was sharp, though the joint-slowest in a year (equal to September). Qualitative data suggested that growth was hampered by competition and price pressures.

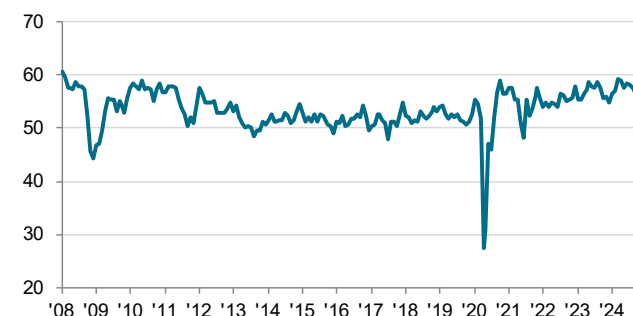
Similarly, factory output rose at a substantial pace that was nevertheless the slowest in 2024. Favourable demand was identified as the main determinant of production growth.

Although new export sales rose at a slower rate than total new business, the pace of growth for the former strengthened as firms were able to secure international orders from across the globe.

With container, material and labour costs reportedly rising since November, Indian manufacturers registered another increase in overall expenses. Having eased since the previous month, the rate of input price inflation was moderate by historical standards.

Selling prices rose to a greater extent than cost burdens, and one that was stronger than seen on average in the near

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



Sources: HSBC, S&P Global PMI.
Data were collected 4-17 December 2024.

Comment

Ines Lam, Economist at HSBC, said:

"India's manufacturing activity ended a strong 2024 with a soft note amidst more signs of a slowing trend, albeit moderate, in the industrial sector. The rate of expansion in new orders was the slowest in the year, suggesting weaker growth in future production. That said, there was some uplift in the growth of new export orders, which rose at the fastest pace since July. The rise in input prices eased slightly, wrapping up the year when Indian manufacturers felt the strain of sharp cost pressures."

20-year series history. Anecdotal evidence showed that demand resilience supported pricing power.

Ongoing improvements in new work intakes prompted manufacturing companies in India to purchase additional inputs for use in production processes. The rate of growth remained above its trend, despite being the second-slowest in 2024 (faster only than in November).

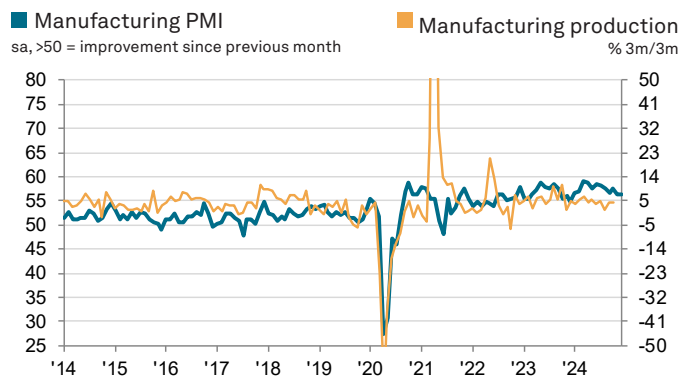
Not only did manufacturing employment increase for the tenth month in a row during December, but also the rate of job creation quickened to the fastest in four months. Around one-in-ten companies recruited extra staff, while fewer than 2% of firms shed jobs.

With regards to input inventories, purchasing growth and shorter lead times underpinned another monthly increase. The rate of accumulation was sharp, albeit the weakest since December 2023.

On the other hand, there was a renewed decline in post-production inventories. Moreover, the rate of contraction was the quickest seen in seven months. According to panel members, stocks had been depleted due to high sales volumes.

Capacity pressures among Indian manufacturers remained mild, as seen by another marginal increase in work either pending completion or not-yet-started.

Looking to 2025, Indian manufacturers were confident of a rise in output. Optimism reflected advertising, investment and expectation of favourable demand. Sentiment was nevertheless curbed by concerns around inflation and competitive pressures.



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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