

News Release

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HSBC Flash India PMI[®]

Economic growth in India ticks higher in March, boosted by manufacturing

Key findings

HSBC Flash India Composite PMI Output Index: 61.3 (Feb final: 60.6)

HSBC Flash India Services PMI Business Activity Index: 60.3 (Feb final: 60.6)

HSBC Flash India Manufacturing PMI Output Index: 63.5 (Feb final: 60.7)

HSBC Flash India Manufacturing PMI: 59.2 (Feb final: 56.9)

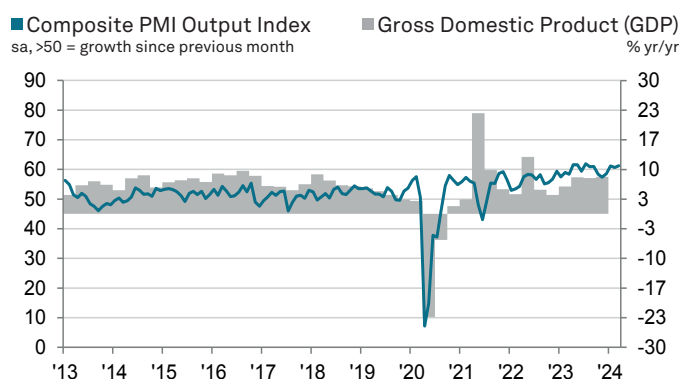
The HSBC Flash India PMI[®] data showed the strongest increase in private sector output for eight months during March, amid a pick-up in growth at goods producers. Buoyant demand conditions fuelled growth, with aggregate sales rising at a sharp and accelerated pace. The manufacturing industry led the upturn with the fastest expansions in factory orders and production in nearly three-and-a-half years.

Pressure on operating capacities intensified, highlighted by a quicker uptick in backlogs, which in turn supported job creation. Meanwhile, favourable demand trends pushed inflationary pressures higher, with both input costs and output charges increasing to greater extents.

At 61.3 in March, the headline **HSBC Flash India Composite PMI* Output Index** – a seasonally adjusted index that measures the month-on-month change in the combined output of India's manufacturing and service sectors – was inside growth territory for the thirty-second month running. Moreover, rising from 60.6 in February, the latest figure indicated a sharp rate of expansion that was the strongest since July 2023.

Service providers noted a sharp increase in business activity that was broadly similar to February, while manufacturers recorded the strongest upturn in production since October 2020. According to survey participants, efficiency gains and robust consumer appetite, alongside investment in technology and favourable market conditions, spurred sales.

New business intakes at the composite level rose for the thirty-second straight month in March. The pace of growth was substantial and stronger than that recorded in February. As was the case for output, goods producers led the upturn in sales with the fastest expansion in nearly three-and-a-half years.



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 11-18 March 2024.

Comment

Pranjul Bhandari, Chief India Economist at HSBC, said:

“Led by the strongest manufacturing output in nearly three-and-a-half years, the composite output index rose quickly. New orders rose at a faster pace than in the previous month, and within that both domestic and export orders showed improved vigour. Input prices grew at a faster pace in March, and all the increase was not passed on to output prices, leading to some softening in composite margins.”

Total order volumes received a considerable boost from international sales. New export orders across the private sector expanded at the fastest pace in seven months, with quicker increases evident at both manufacturing firms and their services counterparts. Anecdotal evidence highlighted gains from Africa, Asia, Australia, Europe, the Middle East and the US.

Consistently robust increases in new business continued to exert pressure on spare capacity at Indian private sector companies. Orders pending completion rose for the twenty-seventh successive month, and at the fastest pace in over a year-and-a-half.

Subsequently, businesses stepped up recruitment in March. The pace of job creation was moderate, albeit the strongest in six months. Employment increased at broadly similar rates in the manufacturing and service sectors.

In addition to investing in greater workforce numbers, Indian manufacturers scaled up input purchasing in March. Buying levels rose at a substantial pace that was the strongest in nine months. This aided firms' restocking efforts, with input inventories expanding at the fastest rate since May 2023.

Private sector companies in India recorded a pick-up in price pressures during March, with both input costs and output charges increasing at stronger rates. Amid reports of higher prices for food, metals and plastics, overall cost burdens rose to the greatest extent in seven months. Anecdotal evidence also highlighted labour and transportation costs as sources of inflation. Rates of increase at manufacturers and service providers were at five- and seven-month highs respectively.

In line with the trend for input costs, services companies signalled a faster increase in output prices than goods producers. Charge inflation slipped to a 13-month low in the manufacturing industry, but quickened to an 80-month high in the service economy. At the composite level, the latest rise was marked and the fastest since last October.

The Flash PMI survey pointed to a renewed improvement in business optimism during March. Underpinning greater positivity were expectations that marketing efforts will bear fruit and that economic conditions will remain conducive to growth. New client enquiries and projects in the pipeline also boosted business sentiment. Goods producers were more upbeat about the year-ahead outlook than service providers, as has been the case since last November.

HSBC India Manufacturing PMI



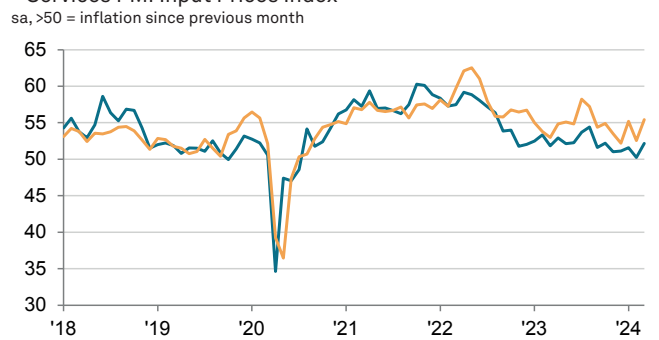
Sources: HSBC, S&P Global PMI.

Manufacturing PMI Output Index
Services PMI Business Activity Index



Sources: HSBC, S&P Global PMI.

Manufacturing PMI Input Prices Index
Services PMI Input Prices Index



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 = 0.0 (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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