News Release

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HSBC India Manufacturing PMI®

Rates of sales and output growth retreat to 14-month low, though remain sharp

Key findings

New orders and production see mild loss of growth momentum

Input purchasing and employment increase strongly

February sees slowest rise in cost burdens for a year

The Indian manufacturing sector's strong start to 2025 continued in February. Despite slowing to the weakest since December 2023, rates of expansion in output and sales remained elevated in the context of the survey's 20-year history. Favourable domestic and international demand prompted firms to increase purchasing activity and hire extra workers at above-trend rates. However, demand buoyancy kept charge inflation at an elevated level despite softer cost pressures.

The seasonally adjusted HSBC India Manufacturing Purchasing Managers' Index™ (PMI®) registered 56.3 in February, down from 57.7 in January but still indicative of a further robust improvement in the health of the sector. Business conditions improved across all three monitored sub-sectors: consumer, intermediate and investment goods.

Output rose halfway through the final fiscal quarter, extending the current growth streak to 44 months. Where an increase was noted, manufacturers remarked on sustained improvements in demand, tech investment and the commissioning of new projects. Although sharp overall, the rate of expansion eased to the weakest since December 2023.

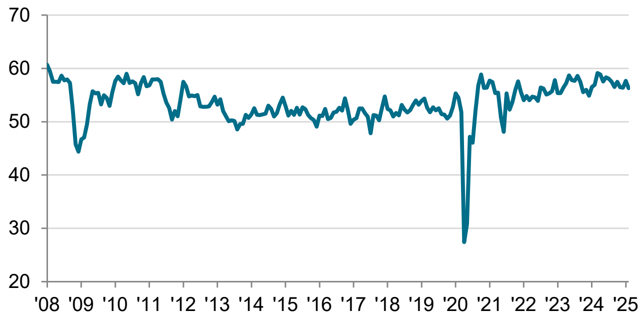
February data showed a forty-fourth consecutive rise in new business intakes, which panel members linked to strong client demand and efforts to price better than their competitors. The overall pace of growth receded to the slowest since December 2023, but was above its long-run average.

New export orders rose strongly in February, as manufacturers continued to capitalise on robust global demand for their goods. Although softer than January's near 14-year high, the pace of expansion was sharp.

In response to the upturn in new orders, manufacturers continued to expand their workforce numbers in February, extending the current period of employment growth to a year. The rate of job creation was the second-best in the series history, behind only that recorded in January. One-in-

HSBC India Manufacturing PMI

sa, >50 = improvement since previous month



Sources: HSBC, S&P Global PMI.

Data were collected 6-24 February 2025.

Comment

Pranjul Bhandari, Chief India Economist at HSBC, said:

"India recorded a 56.3 manufacturing PMI in February, down slightly from 57.7 during the prior month, but still firmly within expansionary territory. Robust global demand continued to boost growth in the Indian manufacturing sector, which increased its purchasing activity and employment. Business expectations also remained very strong, with nearly one-third of survey participants foreseeing greater output volumes in the year ahead. Although output growth slowed to the weakest level since December 2023, overall momentum in India's manufacturing sector remained broadly positive in February."

PMI by S&P Global

HSBC

ten firms signalled greater recruitment activity, while 1% of companies shed jobs.

Manufacturers again ramped up purchasing activities, but the pace of expansion eased to a 14-month low. Where growth was signalled, firms stated that positive client interest led them to rebuild stocks and safeguard against potential input shortages.

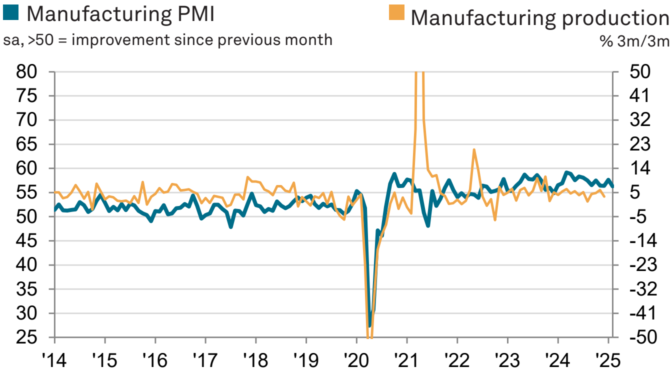
As a result, pre-production inventories rose strongly again in February. This was supported by a twelfth successive improvement in average lead times. Meanwhile, firms' use of warehoused goods to fulfil demand needs was highlighted in another fall in finished goods stocks.

Indian manufacturers faced another rise in input costs, with frequent reports of greater bamboo, leather, marketing, rubber and Telecom prices. Encouragingly, the overall rate of inflation eased for the third straight month to its weakest in a year.

Concurrently, the rate of charge inflation was little-changed from January, remaining above both its long-run average and that seen for input costs. Qualitative data showed that firms passed on higher labour costs to clients, facilitated by favourable demand conditions.

Firms expressed strong optimism about growth prospects for the coming year, with client demand expected to remain positive and support output.

Unfinished business rose further in February, as demand growth continued to outpace increases in production. The rate of backlog accumulation was slight, but nevertheless reached its highest since January 2024.



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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