

News Release

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HSBC India Manufacturing PMI®

Factory orders and production expand at softer rates in May

Key findings

Slower, albeit still sharp, increases in sales and output

Pick-up in business confidence boosts job creation

Cost pressures joint-highest in 21 months

India's manufacturing sector remained firmly in expansion midway through the first fiscal quarter, despite a mild loss of growth momentum. Companies indicated that working hours had been reduced amid an intensive heatwave, which somewhat hampered production volumes. New orders also rose at a softer pace, but international sales increased to the greatest extent in over 13 years.

Goods producers were at their most upbeat about the outlook in nearly a decade, and lifted workforce numbers at one of the fastest rates seen in the survey history. Meanwhile, there were stronger increases in both input costs and output charges.

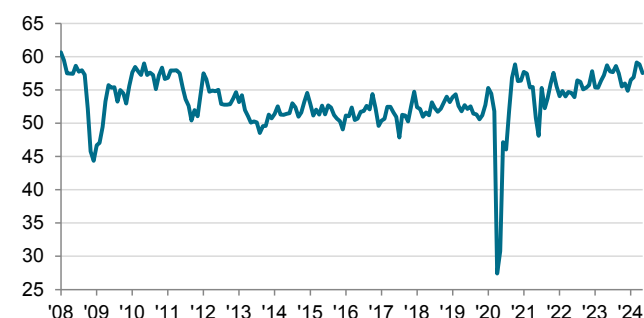
The seasonally adjusted HSBC India Manufacturing Purchasing Managers' Index™ (PMI®) fell from 58.8 in April to 57.5 in May, signalling a slower but still substantial improvement in the health of the sector. The headline figure was nearly four points higher than its long-run average.

May data showed a further upturn in Indian factory production, which stretched the current sequence of expansion to nearly three years. Despite easing to a three-month low, the rate of increase remained sharp. Growth was supported by new business gains, demand strength and successful marketing efforts, anecdotal evidence showed. The slowdown was attributed to reduced working hours amid intensive heat and rising production costs.

Similarly, new orders rose at a substantial pace that was nonetheless the slowest in three months. The rise was associated with marketing efforts, demand strength and favourable economic conditions. Growth was reportedly stymied by competition and election-related disruptions.

In contrast to the trend for total sales, new export orders rose at a faster pace in May. The upturn was the strongest in over 13 years as firms noted gains from customers across several countries in Africa, Asia, the Americas, Europe and the Middle East.

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



Sources: HSBC, S&P Global PMI.
Data were collected 9-24 May 2024.

Comment

Maitreyi Das, Global Economist at HSBC, said:

“The manufacturing sector remained in expansionary territory in May, albeit the pace of expansion slowed, led by a softer rise in new orders and output. Panellists cited heatwaves as a reason for lower work hours in May, which may have affected production volumes. In contrast, new export orders rose at the fastest pace in over 13 years, with a broad-based demand across geography. On the price front, higher raw material and freight costs led to a rise in input prices. Manufacturers were only able to pass on a part of this increase to consumers, resulting in a squeeze in manufacturing margins. The positive news is that May recorded the highest level of positive sentiment among manufacturing firms in just under a decade, resulting in increased job creation.”

Indian manufacturers expressed the highest level of positive sentiment towards growth prospects in nearly nine-and-a-half years. Confidence was fuelled by advertising and innovation, alongside expectations that economic and demand conditions will remain favourable.

Ongoing strong sales performances combined with upbeat growth forecasts fuelled job creation in May. Manufacturing employment rose to one of the greatest extents seen since data collection started in March 2005.

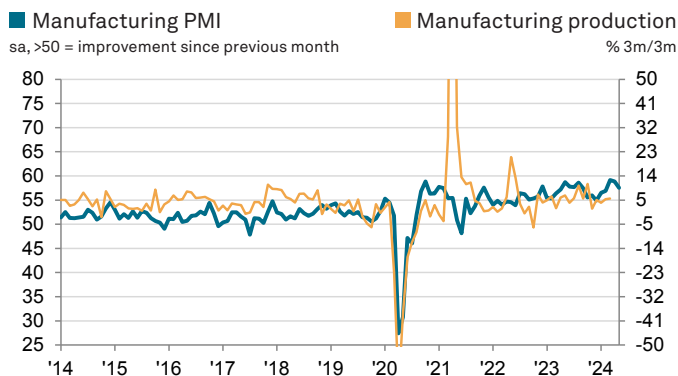
Jobs growth, parallel to rising material and freight costs, underpinned a quicker increase in input costs at goods producers. The overall rate of inflation remained below its long-run average, but picked up to its joint-highest since August 2022.

In response to the latest increase in operating expenses companies raised their own selling prices in May. The rate of charge inflation quickened to an eight-month high.

Elsewhere, the survey highlighted sustained growth of input purchasing among Indian goods producers. Buying levels rose at the slowest pace in four months, albeit one that was historically substantial.

A further improvement in vendor performance, the best in more than 18 years, supported firms' efforts to add to their input stocks. Inventories of raw materials and semi-finished items increased at one of the strongest rates in the series history.

Conversely, finished goods stocks decreased markedly during May as several firms leveraged warehoused products to meet higher demand.



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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