News Release

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HSBC India Manufacturing PMI®

Cost inflation hits 43-month high, but softer demand growth limits hikes to output charges

Key findings

Sharper rise in input costs contrasts with slowdown in charge inflation

Growth of factory orders and production eases

Firms continue to create jobs and lift input purchases

Growth across India's manufacturing industry took a step back in March as cost pressures, fierce competition, heightened market uncertainty and the war in the Middle East all led to softer increases in new orders and output. Firms also faced an intensification of cost pressures, the steepest since August 2022. That said, companies mostly absorbed added expenses, as indicated by a modest uptick in selling charges that was the least pronounced in two years. Elsewhere, the latest results also showed that attempts to raise contingency stocks supported job creation and input buying growth.

Falling from 56.9 in February to 53.9 in March, the seasonally adjusted HSBC India Manufacturing Purchasing Managers' Index™ (PMI®) – a gauge of overall conditions derived from measures of new orders, output, employment, supplier delivery times and stocks of purchases – indicated the weakest improvement in overall business conditions in close to four years. Also, the headline figure slipped below its long-run average of 54.2.

The two largest sub-components of the PMI, new orders and output, rose at the slowest rates since mid-2022. Anecdotal evidence showed that growth was curbed by challenging market conditions, cost pressures and the war in the Middle East.

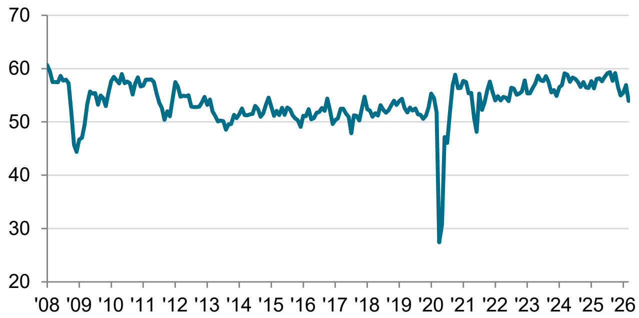
March data saw input prices increase to the greatest extent in over three-and-a-half years. Aluminium, chemicals, fuel, jute, leather, fabric, oil, rubber and steel were some of the items reported to be up in price.

Despite the intensification in cost pressures, there was a slower increase in factory gate charges. The rate of output price inflation receded to a two-year low, curbed by customer-retention efforts and attempts to secure new clients at some firms.

Indian manufacturers continued to purchase additional materials for use in production processes and to add to

HSBC India Manufacturing PMI

sa, >50 = improvement since previous month



Sources: HSBC, S&P Global PMI.

Data were collected 11-25 March 2026.

Comment

Pranjul Bhandari, Chief India Economist at HSBC, said:

"India's manufacturing PMI eased to 53.9 in March from 56.9 in February, marking its lowest level since June 2022. Disruptions linked to the conflict in the Middle East are reverberating through the global economy and weighing on Indian manufacturers. Output and new orders slowed noticeably, signalling softer demand and greater uncertainty. Meanwhile, input costs rose sharply across a broad range of items, including aluminium, chemicals and fuels. For now, firms appear to be absorbing much of the increase, keeping output prices relatively contained."

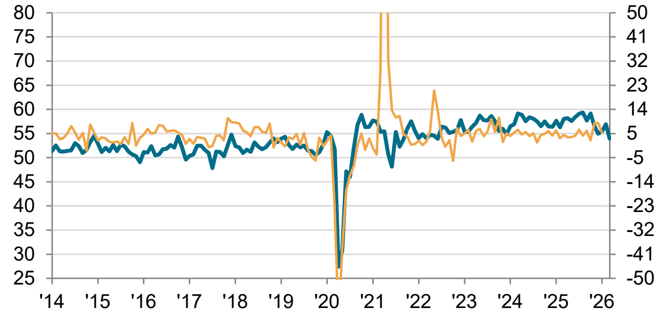
inventories. The overall rate of growth slowed to a three-month low, but was historically strong. When explaining the latest upturn, panellists remarked on sales growth as well as their efforts to ensure smooth operations and uninterrupted supply.

Suppliers to the Indian manufacturing economy were comfortably able to deliver materials in a timely manner, as indicated by a stronger improvement in vendor performance. That said, only 7% of panel members reported faster lead times on inputs and the vast majority (92%) indicated no change from February.

Pre-production inventories continued to expand at the end of the final fiscal quarter. The rate of accumulation eased to a 40-month low, but was sharp and above its long-run average. Some panellists linked growth to efforts to raise buffer stocks. On the other hand, holdings of finished products decreased during March as firms used warehoused products to meet order intakes. The pace of depletion was marginal, however, and the weakest in the current five-month period of contraction.

Encouragingly, Indian manufacturers registered the strongest expansion in external sales since last September, with gains noted from clients in Australia, Brazil, Canada, mainland China, Europe, Japan, the Middle East, Turkey and Vietnam for example. They also raised employment to the greatest extent in seven months and became more optimistic towards the year-ahead outlook for production.

Finally, Indian manufacturers signalled a decline in outstanding business volumes for the first time in close to a year-and-a-half. Underlying data indicated that additional recruitment and a softer increase in new orders facilitated backlog clearances.



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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