News Release

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HSBC Flash India PMI®

2025 begins with private sector growth slowing and services losing steam

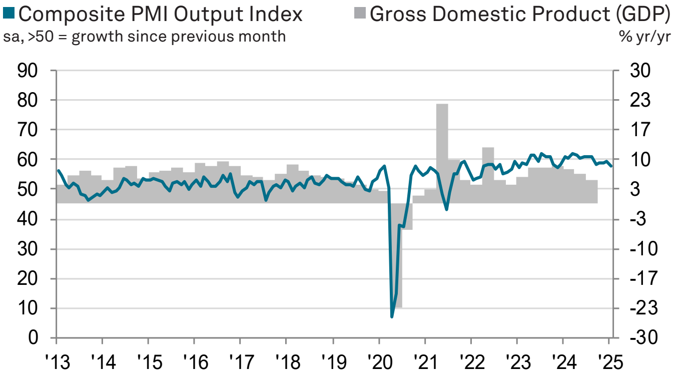
Key findings

HSBC Flash India Composite PMI Output Index: 57.9 (December final: 59.2)

HSBC Flash India Services PMI Business Activity Index: 56.8 (December final: 59.3)

HSBC Flash India Manufacturing PMI Output Index: 60.3 (December final: 59.0)

HSBC Flash India Manufacturing PMI: 58.0 (December final: 56.4)



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 8-21 January 2025.

Indian private sector companies started 2025 with a slowdown in growth. With the rise in new business intakes receding, aggregate output increased at the weakest pace since November 2023. The latest HSBC 'flash' PMI® data, compiled by S&P Global, showed that a stronger expansion in the manufacturing industry was more-than-offset by a loss of growth momentum in the service economy. Meanwhile, prices charged for goods and services rose at a faster rate than in December as cost pressures intensified.

Falling from a final reading of 59.2 in December to 57.9 in January, the **HSBC Flash India Composite* Output Index** – a seasonally adjusted index that measures the month-on-month change in the combined output of India's manufacturing and service sectors – indicated the weakest rate of expansion for 14 months. Nevertheless, the headline figure was comfortably above its long-run average of 54.7.

In contrast to the slowdown seen at the composite level, which was driven by the service economy, there was a pick-up in growth at goods producers. The **HSBC Flash India Manufacturing PMI** – a single-figure snapshot of factory business conditions calculated from measures of new orders, output, employment, supplier delivery times and stocks of purchases – increased from 56.4 in December to 58.0 in January, highlighting the best improvement in the health of the sector since July 2024.

Sales expanded at manufacturing companies and their services counterparts, though the direction of growth differed. Factory orders rose at the quickest pace for six months, while the increase in services new business was the slowest since November 2023. Considering the size of India's service economy, private sector sales growth therefore eased at the start of the year.

Comment

Pranjul Bhandari, Chief India Economist at HSBC, said:

"India's manufacturing sector started the year strong, with output and new orders bouncing back from a relatively weak third fiscal quarter. The rise in new export orders was especially noticeable and the easing of input cost inflation is also good news for manufacturers. The cooling in growth in new domestic business in the services sector, however, highlights a potentially emerging weak spot in the economy. New export business for service providers, on the other hand, looks set to maintain its growing momentum."

One area in which growth ticked higher in a broad-based fashion was exports. Both manufacturers and service providers indicated stronger increases than in December, which underpinned the fastest expansion in aggregate international sales for six months. Monitored companies highlighted gains from across the globe, including the Americas, Asia and Europe.

Similarly, job creation strengthened across the two tracked sub-sectors. January's expansion in aggregate employment was the best registered since comparable data became available in December 2005. Survey members suggested that permanent and temporary workers had been hired on both part- and full-time bases.

January data highlighted an intensification of capacity pressures among private sector companies in India. This was evidenced by outstanding business volumes increasing at the fastest rate in nearly two-and-a-half years. Service providers noted a stronger pace of accumulation than goods producers.

Cost pressures escalated at the composite level, though trends varied at the granular level. In the manufacturing industry, the rate of inflation retreated to a ten-month low and was modest by historical standards. Conversely, the expenses of service providers increased to the greatest degree in just under a year-and-a-half. Survey participants reported greater chemical, labour, leather, meat, rubber and vegetable costs.

As for selling prices, rates of inflation were broadly similar at goods producers and service providers. Across the private sector, output charges increased at a marked rate that was quicker than in December and above its long-run average.

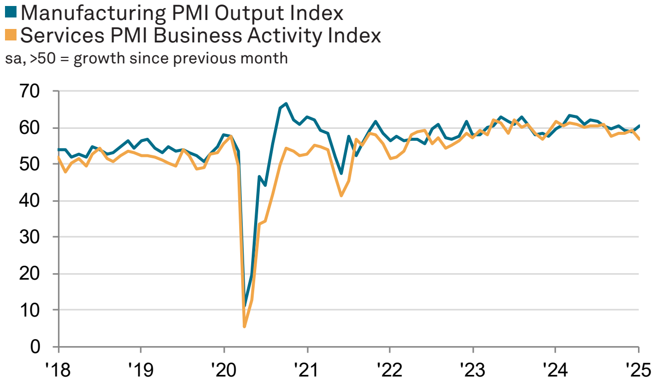
Business confidence improved from December, reflecting more buoyant forecasts among manufacturing companies who were at their most optimistic since May 2024. Meanwhile, the overall level of positive sentiment at service providers slipped to a three-month low owing to concerns around competition.

Finally, data available solely for the manufacturing industry showed that companies continued to scale up input purchases, which supported a quicker increase in pre-production inventories as suppliers' delivery times shortened further. Finished goods stocks fell, however, and to the greatest extent in close to three years.

HSBC India Manufacturing PMI

sa, >50 = growth since previous month

Sources: HSBC, S&P Global PMI.



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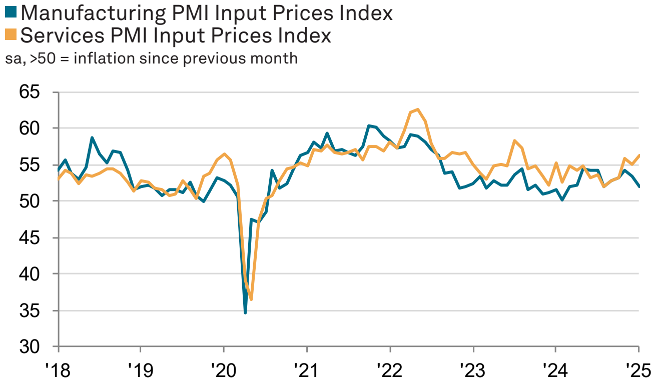

Sources: HSBC, S&P Global PMI.

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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 = -0.1 (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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