

News Release

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HSBC India Manufacturing PMI®

India Manufacturing PMI at 16-year high of 59.1 in March

Key findings

Production and sales rise at fastest rates since October 2020

Near-record increase in input stocks

Renewed expansion in employment

India's manufacturing sector ended the current fiscal year with a stellar performance. The HSBC India PMI® climbed to a 16-year high on the back of the strongest increases in output and new orders since October 2020, parallel to the second-sharpest upturn in input inventories in the history of the survey. Employment returned to positive territory and firms scaled up buying levels. There was a mild pick-up in cost pressures during March, but customer retention remained a priority for goods producers who raised their charges to the least extent in over a year.

The seasonally adjusted HSBC India Manufacturing Purchasing Managers' Index™ (PMI) climbed to a 16-year high of 59.1 in March, from 56.9 in February. The notable improvement in operating conditions reflected stronger growth of new orders, output and input stocks as well as renewed job creation.

Growth of new orders accelerated to the quickest in nearly three-and-a-half years during March, amid reports of buoyant demand conditions. Inflows of new work strengthened from both domestic and export markets, the latter reportedly reflecting better sales to Africa, Asia, Europe and the US. New export orders increased at the fastest pace since May 2022.

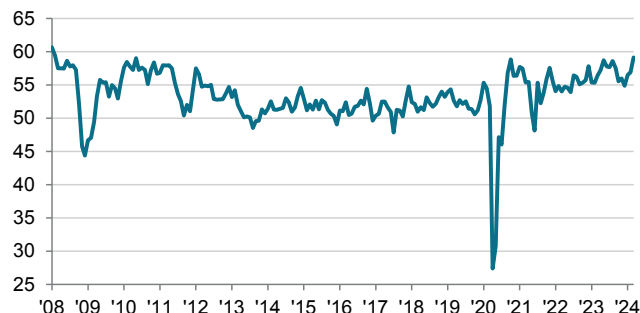
Manufacturing output rose for the thirty-third month running in March, and to the greatest extent since October 2020. Growth quickened across the consumer, intermediate and investment goods sectors. As was the case for new orders, the steepest expansion in production was seen at investment goods makers.

Quantities of purchases increased at the quickest rate since mid-2023, and one that was among the strongest in nearly 13 years, as companies sought to build-up stocks in advance of expected improvements in sales.

Subsequently, inventories of purchases increased to the second-greatest extent in the survey history (behind May 2023). Capital goods was the brightest area regarding both input buying and stockpiling.

HSBC India Manufacturing PMI

sa, >50 = improvement since previous month



Sources: HSBC, S&P Global PMI.

Data were collected 11-22 March 2024.

Comment

Ines Lam, Economist at HSBC, said:

"India's March manufacturing PMI rose to its highest level since 2008. Manufacturing companies expanded hiring in response to strong production and new orders. On the back of strong demand and a slight tightening in capacity, input cost inflation picked up in March."

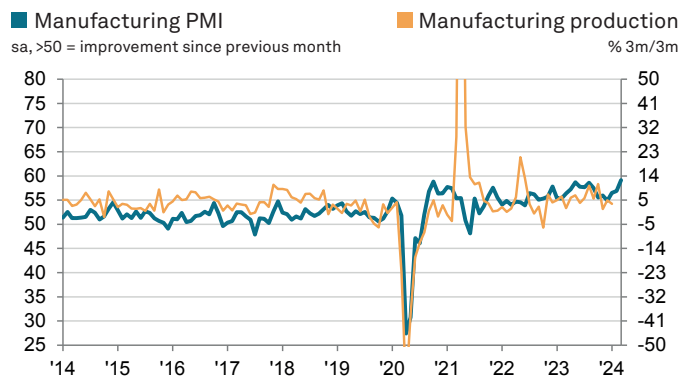
After leaving payroll numbers broadly unchanged in the previous two months, manufacturers in India took on additional workers in March. The pace of job creation was mild, but the best since September 2023. Anecdotal evidence highlighted the recruitment of mid-level and full-time employees.

Pressure on the capacity of goods producers remained mild, as indicated by only a slight increase in outstanding business volumes. Meanwhile, suppliers were generally able to deliver purchased inputs in a timely manner, as signalled by a renewed improvement in lead times.

Despite remaining modest by historical standards, cost pressures were at their highest in five months. Companies reported having paid more for cotton, iron, machinery tools, plastics and steel.

A very small proportion of panellists opted to increase their selling prices in March (fewer than 5%), with customer retention efforts preventing several companies from hiking their fees. Collectively, output charge inflation softened to the weakest in over a year.

The results for March provided a mixed picture regarding the outlook for the Indian manufacturing sector. Companies remained confident on average, with 28% forecasting output growth in the year ahead and 1% expecting a contraction. Planned marketing, new product enquiries and buoyant demand were all cited as reasons for optimism. The overall level of sentiment remained elevated, but slipped to a four-month low as inflation concerns weighed on confidence.



Sources: HSBC, S&P Global PMI, CSO via S&P Global Market Intelligence.

Contact

HSBC India
 Shalaka Kagathra
 T: +91 22 22681046
shalaka.kagathra@hsbc.co.in

Sneha Madhyani
 T: +91 22 22685341
sneha.madhyani@hsbc.co.in

S&P Global Market Intelligence
 Pollyanna De Lima
 Economics Associate Director
 T: +44-1491-461-075
pollyanna.delima@spglobal.com

SungHa Park
 Corporate Communications
 T: +82 2 6001 3128
sungha.park@spglobal.com

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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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