News Release

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HSBC Flash India PMI®

India's Composite PMI climbs to seven-month high in February

Key findings

HSBC Flash India Composite PMI Output Index: 61.5 (Jan final: 61.2)

HSBC Flash India Services PMI Business Activity Index: 62.0 (Jan final: 61.8)

HSBC Flash India Manufacturing PMI Output Index: 60.4 (Jan final: 59.7)

HSBC Flash India Manufacturing PMI: 56.7 (Jan final: 56.5)

Economic growth in India continued to strengthen in February, according to the HSBC Flash India PMI®, with further accelerations evident in both the manufacturing and service sectors. The rise in aggregate output was the quickest since last July, while new orders expanded at the joint-fastest pace in seven months.

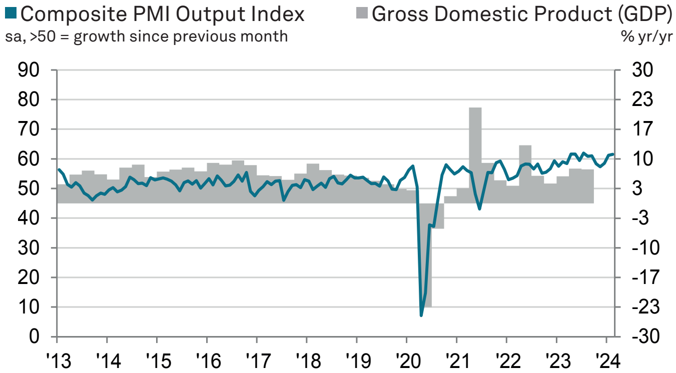
On the price front, the rate of charge inflation for Indian goods and services receded to the weakest in a year as companies generally observed a lack of cost pressures. Input prices increased at the slowest pace in three-and-a-half years.

The headline **HSBC Flash India Composite PMI* Output Index** – a seasonally adjusted index that measures the month-on-month change in the combined output of India's manufacturing and service sectors – rose from a final reading of 61.2 in January to 61.5 in February. The latest figure was consistent with a sharp rate of expansion that was the strongest since mid-2023.

Growth improved in both the manufacturing (five-month high) and services (seven-month high) economies, with survey participants attributing the upturn to buoyant demand conditions, investment in technology, efficiency gains, expanded clientele and favourable sales developments.

New orders across India's private sector rose for the thirty-first successive month halfway through the final fiscal quarter. Equal to January, the rate of expansion was sharp and the joint-best in seven months. As was the case for output, services firms noted a stronger increase in sales than their manufacturing counterparts.

International markets again made a positive contribution to companies' order books, as seen by the fastest expansion in new export work since last September. Here the upturn



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 09-19 February 2024.

Comment

Pranjul Bhandari, Chief India Economist at HSBC, said:

"The pace of acceleration in the output of India's manufacturers and service providers, combined, was at a 7-month high in February. Encouragingly, new export orders rose sharply, particularly for goods producers. Input prices rose at the slowest pace in three-and-a-half-years. Producers were able to do both – lower the rate of increase in output prices and improve margins."

was led by goods producers. External sales were reportedly fuelled by stronger demand from clients based in Africa, Asia, Australia, Europe, the Americas and the Middle East.

Despite ongoing growth of new orders, private sector companies in India refrained from recruiting extra workers during February. Payroll numbers were unchanged since January, thereby ending a 20-month sequence of job creation. Anecdotal evidence suggested that workforces were sufficient for current requirements.

Although outstanding business volumes continued to increase halfway through the final fiscal quarter, the pace of accumulation was slight and softer than in January. Rates of expansion were equal at goods producers and service providers.

Indian manufacturers also indicated a general lack of pressure on the capacity of their suppliers, with average lead times broadly stable in February. This occurred despite a pick-up in growth of input purchasing.

Elsewhere, the flash data showed a moderation in cost pressures across India. Aggregate input prices rose only slightly, and at the weakest pace in three-and-a-half years. Services companies noted a stronger increase in cost burdens than manufacturers, although slowdowns were registered in each case. Where expenses ticked higher, panellists mentioned greater labour and material (iron, plastics and steel) costs.

Spurred by a softer uptick in input costs, a smaller proportion of private sector companies in India hiked their own selling prices during February. As a result, the aggregate rate of charge inflation retreated to a one-year low. Softer, and broadly similar, increases were noted in both the manufacturing and service sectors.

The overall level of business confidence slipped from January's four-month high, but remained indicative of a robust degree of optimism towards growth prospects. Positive sentiment was pinned on hopes that market conditions will remain favourable, thereby boosting demand for goods and services and subsequently supporting economic output.

At the sub-sector level, there were contrasting trends for business sentiment as fading confidence at service providers compared with the strongest degree of optimism at manufacturers since December 2022.

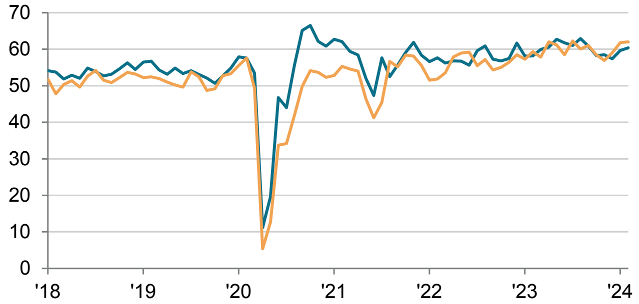
HSBC India Manufacturing PMI

sa, >50 = growth since previous month

Sources: HSBC, S&P Global PMI.

■ Manufacturing PMI Output Index
■ Services PMI Business Activity Index

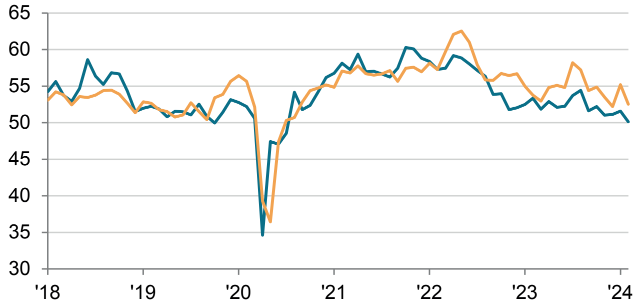
sa, >50 = growth since previous month



Sources: HSBC, S&P Global PMI.

■ Manufacturing PMI Input Prices Index
■ Services PMI Input Prices Index

sa, >50 = inflation since previous month



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 = 0.0 (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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