

News Release

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HSBC Flash India PMI[®]

Near-record rise in Indian private sector employment as sales growth strengthens

Key findings

HSBC Flash India Composite PMI Output Index: 60.9 (May final: 60.5)

HSBC Flash India Services PMI Business Activity Index: 60.4 (May final: 60.2)

HSBC Flash India Manufacturing PMI Output Index: 62.1 (May final: 61.1)

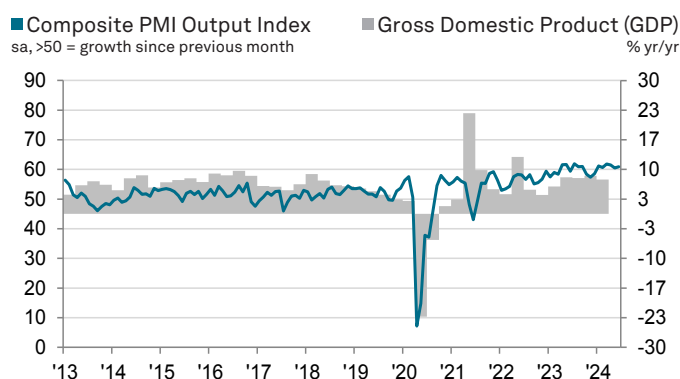
HSBC Flash India Manufacturing PMI: 58.5 (May final: 57.5)

Output growth across India's private sector regained some of the momentum lost in May, with business activity increasing at quicker rates among manufacturing firms and their services counterparts. The HSBC Flash India PMI[®] data, compiled by S&P Global, also showed a substantial upturn in aggregate employment amid robust expansions in total new orders intakes and international sales. Meanwhile price pressures receded.

The headline **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 – increased from 60.5 in May to 60.9 in June, highlighting a quicker rate of expansion that was substantial by historical standards and broadly aligned with the average over the past 12 months. As has been the case since February, growth was stronger at goods producers than at service providers.

Manufacturers saw a quicker improvement in the overall health of the sector at the end of the first fiscal quarter, with 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 – rising from 57.5 in May to 58.5 in June. There were stronger contributions from all of its five sub-components.

When explaining the latest increase in output, private sector companies commented on demand strength and new business gains. Indeed, total new orders rose sharply and to a greater extent than in May. Growth quickened at goods producers and service providers, with the faster upturn among the former.



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 07-18 June 2024.

Comment

Maitreyi Das, Global Economist at HSBC, said:

“The composite flash PMI ticked up in June, supported by rises in both the manufacturing and service sectors, with the former recording a faster pace of growth. New orders gained growth momentum for both sectors, with a faster upturn among manufacturers. Meanwhile, new export orders slowed slightly in June, although the rate of expansion was the second fastest since the beginning of the series. As a result, capacity pressures became evident in June, leading firms to increase their staffing levels to the greatest extent in over 18 years. Input cost inflation eased slightly in June, but remained elevated with panellists citing increases in labour and material costs. The output price index suggests manufacturing firms were able to pass on higher costs to customers. Overall, optimism about future output weakened in June, but remained above the historical average.”

New export orders increased for the twenty-second successive month in June. Despite slowing since May, the rate of expansion was sharp and the second-fastest since the series became available in September 2014. Survey participants noted gains from Africa, Asia, Australia, the Americas, Europe and the Middle East. On this front, the service economy was the brighter spot.

Although mild, capacity pressures remained evident in June as private sector firms continued to signal higher volumes of outstanding business. Subsequent attempts to clear backlogs and fulfil rising production requirements led to a further increase in aggregate employment. The pace of job creation was marked and the fastest in over 18 years. Growth strengthened at both manufacturers and service providers, with the quicker upturn among the former.

Positive demand trends also encouraged manufacturers to purchase additional inputs for use in production processes. The rate of growth in buying levels was sharp and quicker than in May. Despite the upturn in quantities of purchases, suppliers were comfortably able to delivery materials in a timely manner, as seen by another modest improvement in vendor performance. Trends for inventories continued to diverge, with a slight fall in stocks of finished goods contrasting with a substantial accumulation of pre-production inventories.

Input prices at the composite level continued to increase in June, with panellists citing higher labour and material (food, steel, electronics) costs. Although solid, the rate of inflation softened from May and was below its long-run average. A slowdown in the service economy compared with broadly stable cost inflation at manufacturers.

The picture for selling prices was mixed in June. Indian goods producers raised their fees to the greatest extent in exactly one year, while charge inflation at service providers retreated to a joint four-month low (equal with April). At the composite level, the latest uptick was fractionally softer than that registered in May.

Business confidence remained positive in June as private sector firms in India expect marketing efforts to bear fruit and positive demand momentum to be sustained. Predictions of output growth in the year ahead were also attributed to proposals in the pipeline, efficiency gains and forecasts of favourable exchange rates. The overall degree of optimism weakened to a three-month low, but remained above the series average.

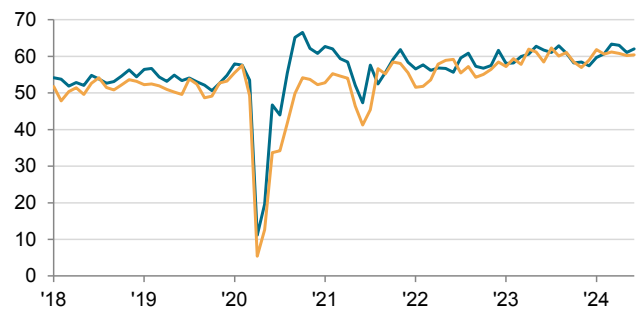
HSBC India Manufacturing PMI

sa, >50 = growth since previous month



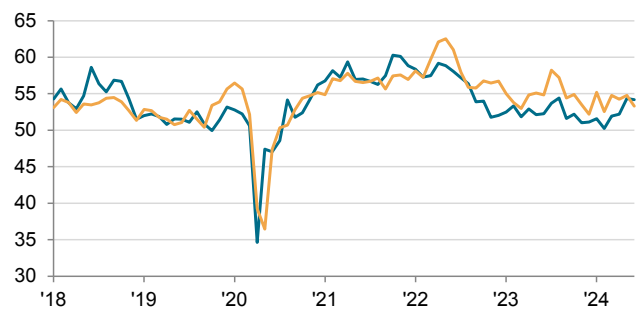
Sources: HSBC, S&P Global PMI.

■ 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 = -0.1 (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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