

# News Release

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## HSBC Flash India PMI<sup>®</sup>

### PMI data signals record rise in exports and sharpest upturn in employment in nearly 18 years

#### Key findings

HSBC Flash India Composite PMI Output Index: 61.7 (Apr final: 61.5)

HSBC Flash India Services PMI Business Activity Index: 61.4 (Apr final: 60.8)

HSBC Flash India Manufacturing PMI Output Index: 62.4 (Apr final: 63.0)

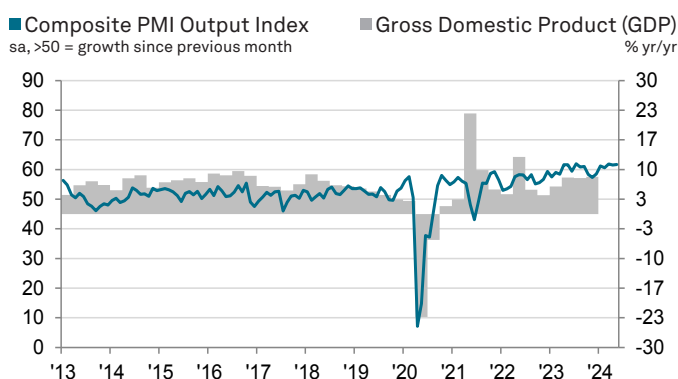
HSBC Flash India Manufacturing PMI: 58.4 (Apr final: 58.8)

HSBC Flash India PMI<sup>®</sup> data, compiled by S&P Global, indicated the third-strongest upturn in private sector output since July 2010. Although the manufacturing industry continued to lead growth of both sales and output, it was the service economy that was responsible for the latest acceleration in overall economic expansion. Other positive developments highlighted by May's survey included a series record rise in aggregate exports, the steepest expansion in private sector jobs since September 2006 and a notable improvement in business confidence. On the price front, a faster increase in input costs pushed prices charged for Indian goods and services higher.

May saw 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 – rise from a final reading of 61.5 in April to 61.7, which indicated the third-strongest rate of expansion in close to 14 years. Over this period, growth was stronger only in July 2023 and March 2024. When explaining the latest increase, survey participants cited successful advertising, efficiency gains, robust intakes of new work and demand strength.

Services firms recorded a sharp increase in business activity, the steepest in four months, while factory production rose at the slowest pace since February. Nevertheless, manufacturing continued to record a stronger rate of growth than services.

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 – slipped from 58.8 in April to 58.4 in May, showing the weakest improvement in the



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 09-20 May 2024.

#### Comment

Pranjul Bhandari, Chief India Economist at HSBC, said:

"The composite PMI ticked up further in May, recording the third strongest reading in close to 14 years, supported by a sharp acceleration in the service sector. Although manufacturing sector growth slowed slightly in May, driven by a slowdown in new orders and production, the rise in output in the manufacturing industry continued to surpass that in the service economy. Additionally, the latest data showed strength in new export orders for both sectors, which rose at the fastest pace since the series started in September 2014. The level of optimism about the year-ahead increased to its highest in over 11 years, resulting in firms increasing their staffing levels. However, higher input costs in both sectors led to further margin squeezes, particularly for service providers."

health of the sector for three months but one that remained strong by historical standards.

Latest data highlighted further signs of strength in new export orders across both the manufacturing and service sectors. At the composite level, international sales expanded at the fastest rate since the inception of the series in September 2014. Panellists noted gains from many parts of the world, including Africa, Asia, Australia, the Americas, Europe and the Middle East.

Total new orders meanwhile rose substantially, with the pace of expansion matching that seen in April and therefore among the fastest since mid-2010. Manufacturing companies continued to record a quicker increase than their services counterparts, despite posting a slowdown in its rate of growth.

Persistently strong increases in new orders underpinned job creation across the private sector. Employment has risen on a monthly basis throughout the past two years, with May seeing the rate of expansion quicken to the sharpest since September 2006.

Another factor that supported growth of headcounts was an intensification of capacity pressures. Combined across the manufacturing and service sectors, outstanding business volumes rose to the greatest extent in 21 months.

In addition to taking on extra staff as a result of rising backlogs, Indian manufacturers also purchased additional materials for use in production processes. Buying levels expanded sharply in May, and at an above-trend pace. Still, suppliers to the Indian manufacturing sector were comfortably able to meet growing demand requirements as evidenced by lead times on inputs shortening to the greatest extent in over 18 years.

Amid reports of higher labour and material costs, input prices across the private sector rose at the fastest pace in nine months. There were mentions that prices for chemicals, food, plastics, electronic components and electrical items had risen.

Aggregate selling prices likewise rose to a greater extent in May. The rate of inflation was below that seen for input costs, though outpaced its long-run average. The faster increase in charges was recorded in the manufacturing industry, contrasting with the trend seen for input prices.

Finally, the Future Output Index rose by nearly seven points in May, showing a considerable improvement in confidence surrounding near-term output prospects among Indian private sector firms. In fact, the overall level of positive sentiment was at its highest mark in over 11 years.

HSBC India Manufacturing PMI

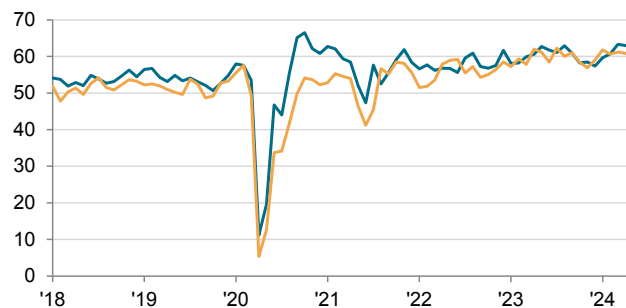
sa, >50 = growth since previous month



Sources: HSBC, S&P Global PMI.

Manufacturing PMI Output Index  
Services PMI Business Activity Index

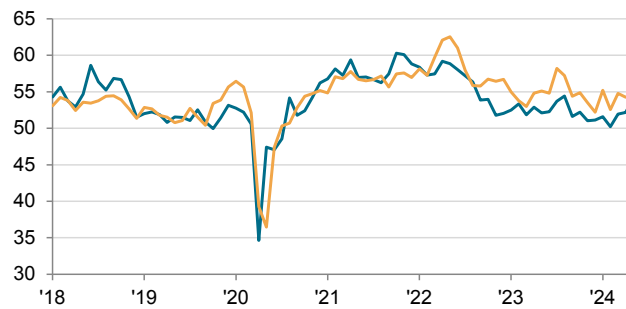
sa, >50 = growth since previous month



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.

## Contact

HSBC India  
Shalaka Kagathra  
T: +91 22 22681046  
[shalaka.kagathra@hsbc.co.in](mailto:shalaka.kagathra@hsbc.co.in)

Snehha Madhyani  
T: +91 22 22685341  
[snehha.madhyani@hsbc.co.in](mailto:snehha.madhyani@hsbc.co.in)

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

SungHa Park  
Corporate Communications  
T: +82 2 6001 3128  
[sungha.park@spglobal.com](mailto:sungha.park@spglobal.com)

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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](mailto: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](http://www.spglobal.com/marketintelligence/en/mi/products/pmi)

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