

News Release

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HSBC Flash India PMI[®]

Charge inflation at near 12-year high as cost pressures intensify

Key findings

HSBC Flash India Composite PMI Output Index: 59.5 (October final: 59.1)

HSBC Flash India Services PMI Business Activity Index: 59.2 (October final: 58.5)

HSBC Flash India Manufacturing PMI Output Index: 60.2 (October final: 60.4)

HSBC Flash India Manufacturing PMI: 57.3 (October final: 57.5)

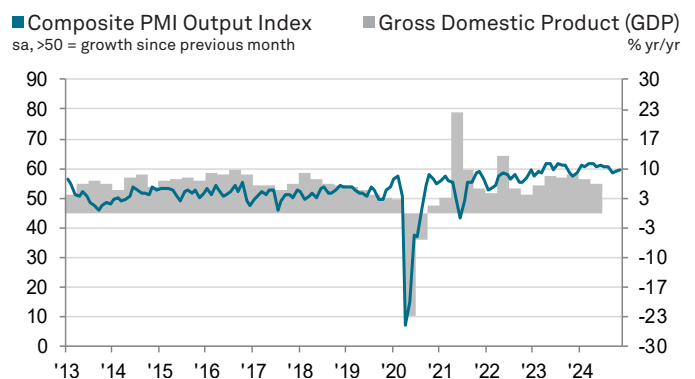
Surging new business gains and export sales boosted output growth across India's private sector economy in November, the latest HSBC 'flash' PMI[®] survey compiled by S&P Global showed. Rising capacity pressures, evidenced by increasing backlogs, prompted companies to ramp up hiring efforts, which was supported by an overall improvement in business activity expectations. However, this strengthening of operating conditions came amid intensifying cost pressures and the steepest upturn in selling prices since February 2013.

Manufacturers experienced faster expansions in new orders and output than services firms, but it was among the latter where job creation was most pronounced. The latest increase in service sector employment was the fastest since the survey began in December 2005.

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—rose from a final reading of 59.1 in October to 59.5 in November, indicating a sharp rate of expansion that was the strongest in three months and above its long-run average. Growth ticked lower in the manufacturing industry whilst picking up in services, although the former outperformed again.

At 57.3 in November, down only marginally from 57.5 in October, 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—highlighted another substantial improvement in the health of the sector.

Aggregate new orders continued to increase midway through the third fiscal quarter, with demand strength cited as 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 11-19 November 2024.

Comment

Pranjul Bhandari, Chief India Economist at HSBC, said:

"India's flash composite PMI moderately expanded from a final reading of 59.1 in October to 59.5 this month. Services saw a pick-up in growth, while the manufacturing sector managed to outperform expectations despite a marginal slowdown from its October final PMI reading. Strong end-demand and improving business conditions pushed services sector employment to the highest level ever recorded by this indicator since December 2005. Meanwhile, price pressures are rising for raw materials used by manufacturers, as well as food and wage costs in the services sector."

main determinant of growth. The overall rate of expansion was substantial and the quickest since August. For the third month in a row, goods producers noted a faster upturn than service providers.

Once again, Indian companies indicated that rising export orders supported the expansion in total sales. Panel members cited gains from across the globe, including Asia, Europe and the Americas. The overall rate of growth was marked, with the respective seasonally adjusted index nearly four points above its historical average. Manufacturing firms registered a slightly stronger increase in international sales than their services counterparts.

Ongoing improvements in new business intakes continued to exert pressure on the capacity of private sector companies, as signalled by another uptick in backlogs. The expansion in outstanding business volumes was moderate, but nevertheless the quickest since May. In turn, firms pursued further recruitment drives in November. The rate of job creation accelerated to the steepest since composite data became available in December 2005, driven by rising workforce numbers across the service economy.

Cost pressures across India's private sector intensified in November, reaching their highest since August 2023. Manufacturers commented on price hikes for a range of raw materials, including aluminium, cotton, leather and rubber. Service providers particularly remarked on greater food costs (cooking oils, eggs, meat and vegetables) and wage bills.

In response to rising operating costs, private sector companies in India hiked their selling charges again during November. The rate of inflation was sharp and the fastest in just under 12 years. Firms suggested that demand strength allowed them to pass on additional cost burdens to their clients.

Although service providers noted a stronger increase in cost burdens than manufacturers, rates of charge inflation were broadly similar across the two sectors and both saw an acceleration since October.

Finally, November data showed a rebound in business confidence across India. The Future Output Index was at a six-month high and nearly six points above its long-run average. Survey members suggested that marketing efforts and new client enquiries bode well for the business outlook, with positive demand trends also expected to underpin growth over the course of the coming 12 months.

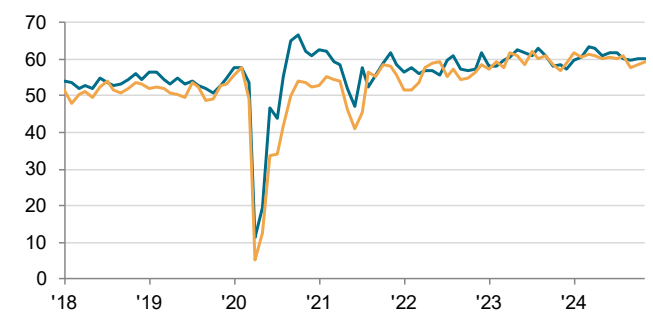
HSBC India Manufacturing PMI

sa, >50 = growth since previous month



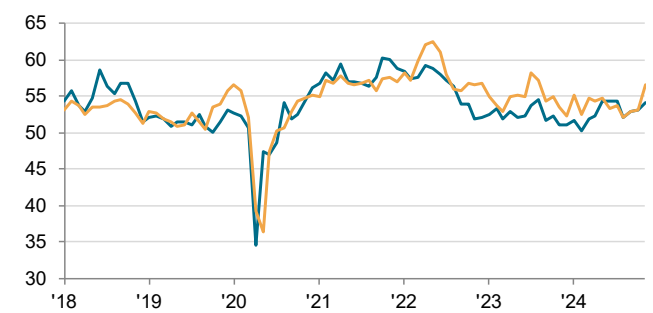
Sources: HSBC, S&P Global PMI.

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

Snehha Madhyani
T: +91 22 22685341
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

SungHa Park
Corporate Communications
T: +81 3 6262 1757
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 = -0.1 (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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