

News Release

Embargoed until 1030 IST (0500 UTC) 24 July 2024

HSBC Flash India PMI[®]

New orders and business activity surge in July

Key findings

HSBC Flash India Composite PMI Output Index: 61.4 (June final: 60.9)

HSBC Flash India Services PMI Business Activity Index: 61.1 (June final: 60.5)

HSBC Flash India Manufacturing PMI Output Index: 62.2 (June final: 61.9)

HSBC Flash India Manufacturing PMI: 58.5 (June final: 58.3)

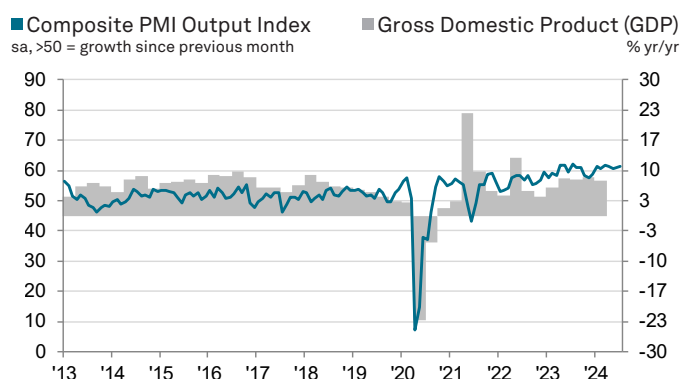
India's private sector economy continued to expand in July, with the **HSBC Flash India PMI[®]** data, compiled by S&P Global, indicating stronger increases in new business intakes and output. Backlogs of work rose further, prompting the best upturn in employment in over eighteen years. The latest results also revealed that rising material and labour costs added to inflationary pressures. In particular, selling prices rose to the greatest extent since February 2013.

Rising from 60.9 in June to 61.4 at the start of the second fiscal quarter, 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 – highlighted the strongest rate of expansion for three months. Moreover, the pace of increase was considerably above its long-run average. Growth strengthened at goods producers and service providers, with the former leading the upturn.

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 – was at a three-month high of 58.5 in July (June: 58.3), signalling a historically strong improvement in the health of the sector.

Anecdotal evidence suggested that favourable market conditions and new business gains underpinned the upturn in private sector activity. There were also mentions of buoyant client appetite, enhanced technology and a greater number of events.

New orders placed with private sector firms in India rose sharply in July. The upturn was broadly similar to June and the quickest in three months. As was the case for output,



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 10-19 July 2024.

Comment

Pranjul Bhandari, Chief India Economist at HSBC, said:

“The Flash Composite Output Index signalled continued robust growth in India’s private sector. The rise in output in July was led by a further increase in business activity in the manufacturing sector, while the pace of expansion in services output also accelerated and remained well above its long-run average. As a result, companies turned more optimistic in July, following a moderation in business confidence in June. We note that the rate of input cost inflation continued to trend higher in both sectors, which has driven firms to keep raising sales prices.”

rates of expansion accelerated in the manufacturing and service sectors.

Although the New Export Orders Index came in below that for total new orders, it nevertheless remained significantly above the neutral level of 50.0. Moreover, rising since June, the latest reading indicated the second-strongest pace of expansion in the near ten-year series history (behind May). Panel members continued to note greater exports to several parts of the world. On this front, the service economy signalled the stronger growth.

There was a pick-up in capacity pressures among private sector companies in India, as seen by a quicker increase in outstanding business volumes. Although slight, the pace of accumulation was above its long-run average. In turn, firms continued to hire extra staff. Aggregate employment expanded at one of the strongest rates seen in just under 19 years of data collection. Job creation was stronger at manufacturing companies than at their services counterparts.

Besides taking on additional workers, goods producers lifted buying levels at the fastest pace in three months. The expansion supported another increase in stocks of purchases as suppliers' delivery times shortened for the fifth month in a row.

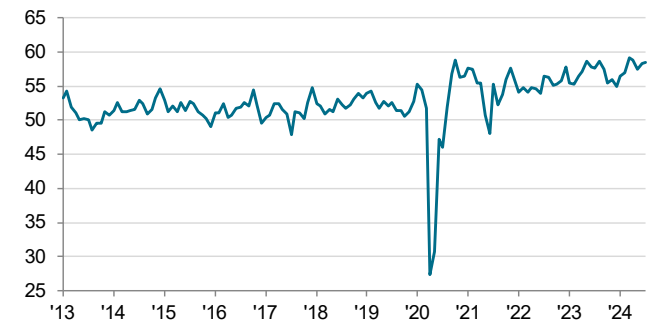
Amid reports of higher material, transportation and labour costs, overall input prices rose further in July. The rate of inflation was solid, faster than in June and broadly aligned with its long-run average. Manufacturers particularly noted higher prices for coal, leather, pharma products, rubber and steel. Services companies specifically cited egg, meat and vegetables as sources of inflation.

A pick up in cost pressures, alongside positive demand trends, reportedly encouraged companies in India to increase their own selling prices in July. The overall rate of charge inflation was marked and the steepest in nearly 11-and-a-half years. Consistent with the trend for input costs, the upturn in output charges was led by manufacturers.

Looking at 12-month growth prospects, panellists were confident of a rise in business activity. Moreover, the level of positive sentiment increased from June and was above the series average. Among the reasons underpinning optimism were increased advertising, buoyant demand and new client enquiries.

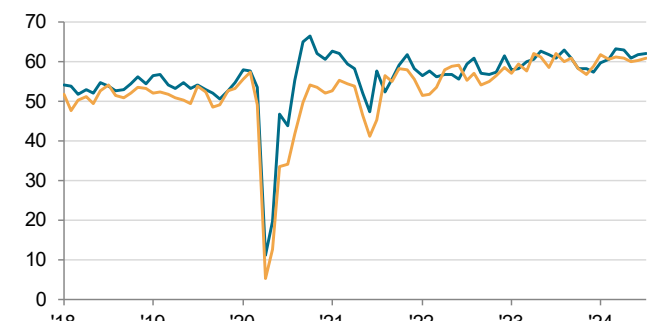
HSBC India Manufacturing PMI

sa, >50 = growth since previous month



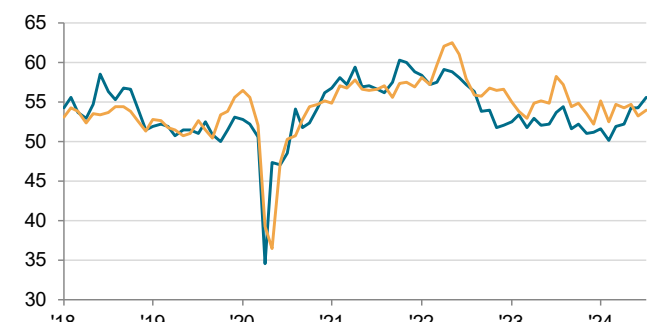
Sources: HSBC, S&P Global PMI.

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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