

HSBC Flash India PMI

Free to View**It doesn't get better than this****Economics - India**

- ◆ The output index for manufacturers and service providers, combined, came in at a seven-month high
- ◆ New orders for service providers rose at the fastest pace in a decade; export orders were buoyant across geographies
- ◆ Input prices rose at the softest pace in three-and-a-half-years, pushing up corporate margins ... what's not to like?

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February Flash India PMIs have just been released. They provide an advance indication of the Final Manufacturing, Services and Composite PMI data for the ongoing month, and are released approximately one week prior to the release of the Final PMI indices. The Flash PMI is typically based on approximately 75%–85% of total PMI survey responses that are received each month (all of which are used in the final release). The flash estimates are calculated, weighted and seasonally adjusted using an identical methodology to the Final PMI.

Output at a 7-month high, services lead. Both manufacturers and service providers saw their output rise (see exhibit 1). Survey participants attributed the upturn to buoyant demand conditions, investment in technology, efficiency gains, expanded clientele and favourable sales developments.

As per PMI data, the pace of output increase has been higher for service providers than for manufacturers for the last three months. GDP data in September showed that manufacturing output is 32% higher than pre-pandemic levels, while services output is only 17% higher. That is now changing and it is likely that service providers will drive growth in 2024, as they close the gap with manufacturers.

New orders rise to a decadal high for service providers. New orders were at a 7-month high, for goods and services producers combined. For the latter, new orders grew at the fastest pace in a decade (see exhibit 2). Amid all this optimism, production timeliness is one area which may need monitoring. There has been some slip up here for the last six months.

Export orders rise across geographies. Encouragingly, new *export* orders rose briskly as well, to its highest since September, led this time by goods producers. External sales were reportedly fuelled by several geographies - Africa, Asia, Australia, Europe, the Americas and the Middle East.

Input prices increase at the slowest pace in 3.5 years. Input price inflation fell for both goods and services providers, but more so for the former (see exhibit 3). Having said that, service providers highlighted some labour cost pressures, likely led by overtime payments in the face of rising demand for services.

Margins improve. Some of the benefits from the slower rise in input costs were passed on to prices charged. The rise in output prices mellowed for both goods and services providers. But a larger share of falling input price inflation was used to push up corporate margins (see exhibit 4). For manufacturers in particular, margins were at a four year high.

Strong future optimism. The order-to-inventory ratio for manufacturers continued to rise for a third month, trending well above the long-term-average, and pointing towards strong manufacturing output over the next few months. The future optimism index remained buoyant for both goods and services providers, even though it slipped a bit for the latter from January levels.

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Table 1: Summary of HSBC India Manufacturing PMI (seasonally adjusted)

	Dec-23	Jan-24	Feb-24
PMI Index		56.5	56.7
Output			
New Orders			
New Export Orders			
Input Prices			
Output Prices			
Future output index			
	expanding and stronger	expanding but weaker	contracting but improving
			contracting and weaker

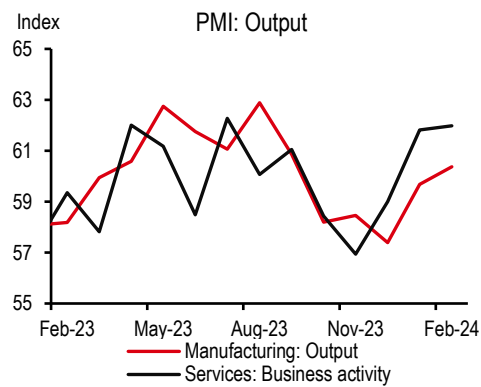
Source: S&P Global PMI, HSBC

Table 2: Summary of HSBC India Services PMI (seasonally adjusted)

	Dec-23	Jan-24	Feb-24
Business Activity		61.8	62.0
New Business			
New Export Business			
Input Prices			
Prices Charged			
Future Activity Index			
	expanding and stronger	expanding but weaker	contracting but improving
			contracting and weaker

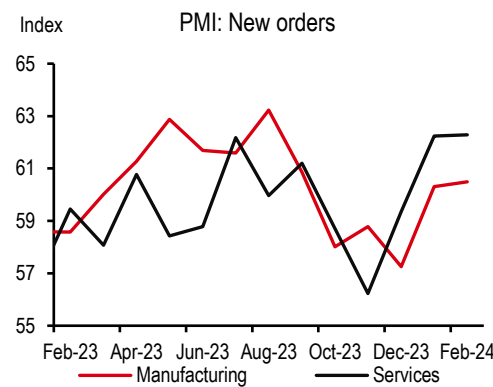
Source: S&P Global PMI, HSBC

Chart 1: Goods and services output rose in February



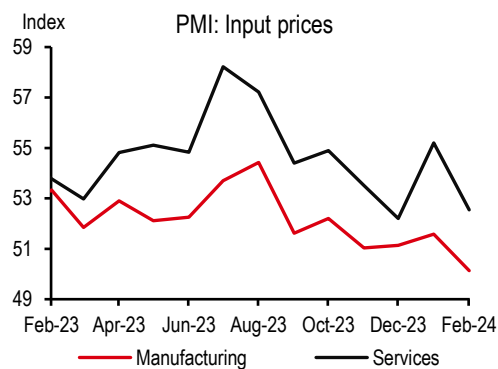
Source: S&P Global PMI, HSBC

Chart 2: New orders continued to climb



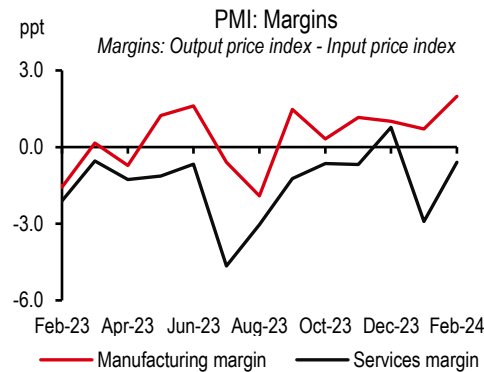
Source: S&P Global PMI, HSBC

Chart 3: Input price inflation fell to 3.5 year low



Source: S&P Global PMI, HSBC

Chart 4: Corporate margins improved



Source: S&P Global PMI, HSBC

Disclosure appendix

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