

News Release

Embargoed until 1030 IST (0500 UTC) 3 July 2024

HSBC India Services PMI[®]

Robust expansions in new business and exports fuel output growth

Key findings

Sharp rises in sales and business activity

International orders increase at series-record pace

Fastest upturn in employment for 22 months

June data indicated a sustained upturn in Indian service sector output, with the rate of expansion quickening from May's five-month low amid a stronger rise in new orders and an unprecedented expansion in international sales. Moreover, staffing levels increased at the fastest pace since August 2022, as short-term and permanent staff were taken on to support pipelines of new work.

Reportedly due to higher food, fuel and labour costs, service providers recorded a moderate increase in their average expenses. The pace of inflation was nevertheless the weakest in four months. Subsequently, selling prices also rose at the slowest pace since February.

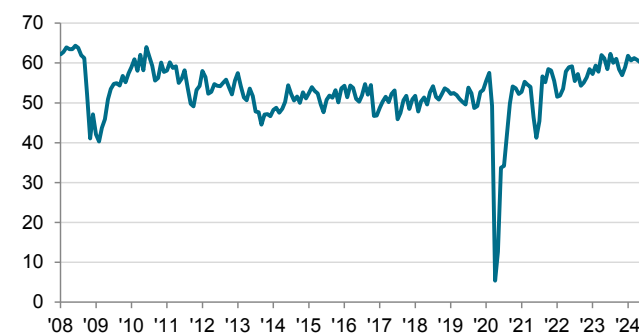
Rising from 60.2 in May to 60.5 in June, the seasonally adjusted HSBC India Services Business Activity Index pointed to a sharp expansion in output. The pace of increase was quicker than in May and above its long-run average. Demand strength and rising intakes of new business were cited as the key determinants of growth.

New orders received by Indian service providers continued to increase in June, extending the current sequence of expansion to nearly three years. The pace of growth was sharp, faster than in May and well above its long-run average.

Supporting the upturn in total new business was a record expansion in international orders. Asia, Australia, Europe, Latin America, the Middle East and the US were all cited as sources of new work from abroad.

Positive client appetite encouraged service providers in India to recruit additional staff at the end of the first fiscal quarter. The pace of job creation was marked and the strongest in 22 months. Anecdotal evidence highlighted a mixture of short-term and permanent hires for junior-, medium- and senior-level positions.

HSBC India Services PMI Business Activity Index
sa, >50 = growth since previous month

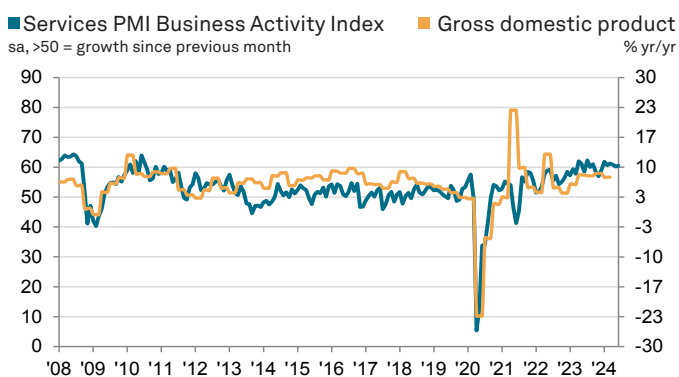


Sources: HSBC, S&P Global PMI.
Data were collected 7-26 June 2024.

Comment

Pranjul Bhandari, Chief India Economist at HSBC, said:

“Activity growth in India’s service sector accelerated in June, with the index rising by 0.3ppt to 60.5, led by an increase in both domestic and international new orders. This encouraged services firms to increase their staffing levels at the fastest pace since August 2022. Input costs rose at a moderate pace, resulting in a softer uptick in output charges in June. Overall, service providers remain confident about the year-ahead business outlook, although the level of optimism moderated sharply during the month. The Composite PMI also accelerated in June, supported by greater inflows of new orders. Manufacturing firms contributed more to the expansion than services firms.”

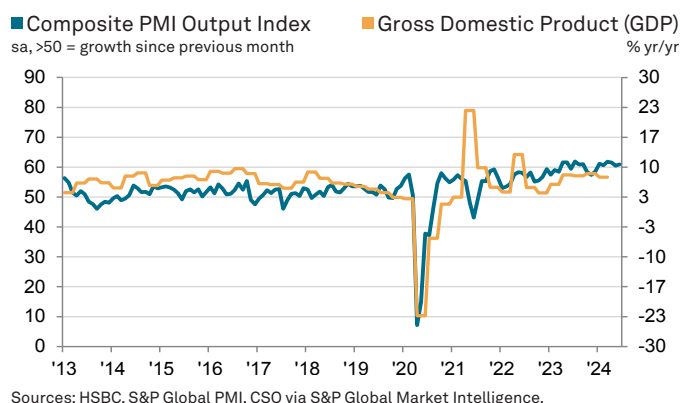


Additional recruitment added to firms' labour expenses and contributed to another increase in average cost burdens. Panellists also reported higher prices for food (chicken, eggs and vegetables) and fuel. Average input prices rose at a below-trend rate, however, and one that was the softest in four months.

Fewer than 5% of services companies opted to share additional cost burdens with their clients by lifting selling prices in June, resulting in only a moderate rate of charge inflation. The uptick was the slowest since February.

As has been the case on a monthly basis for two-and-a-half years, outstanding business volumes increased in June. That said, strong recruitment in recent months dampened the rise in backlogs which was the weakest in four months.

Service providers remained confident of a rise in business activity over the course of the coming 12 months, with nearly 23% of panellists expressing optimism. That said, the overall level of positive sentiment slipped to an 11-month low, owing to concerns surrounding market uncertainty and competition.



HSBC India Composite PMI®

New business and output expand at faster rates

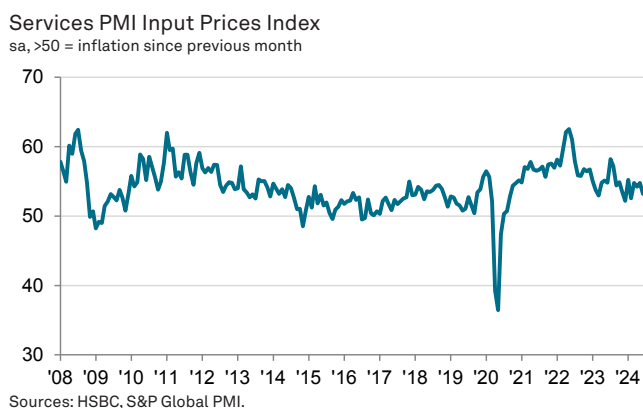
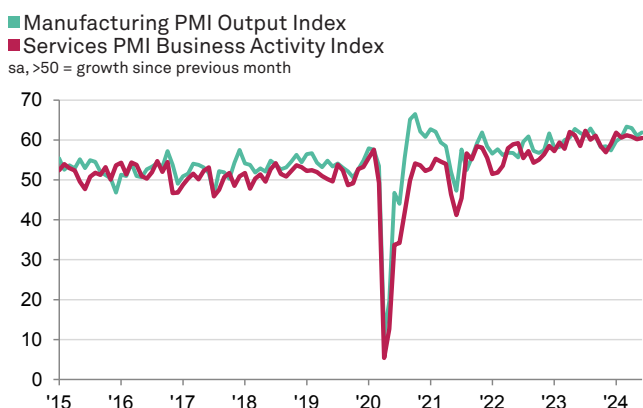
Growth of private sector activity re-accelerated in June, after having eased to a five-month low in May. The HSBC India Composite Output Index* recovered from 60.5 in the previous month to 60.9, highlighting a sharp rate of expansion that was considerably above the long-run series average. Manufacturing led the rise for the fifth straight month.

Supporting the stronger increase in output were faster expansions in new business at both goods producers and service providers. Aggregate sales rose sharply, helped by a near-record upturn in exports.

Private sector employment expanded at a sharp pace that was among the quickest since the series started in December 2005. There were faster increases in both the manufacturing and service sectors, with the former posting a series record upturn.

Aggregate input costs rose at the slowest pace in four months, while selling charges increased to the same extent as in May. In both cases, the quicker uptick was in the manufacturing industry.

*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.



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: +82 2 6001 3128
sungha.park@spglobal.com

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Survey methodology

The HSBC India Services PMI® is compiled by S&P Global from responses to questionnaires sent to a panel of around 400 service sector companies. The sectors covered include consumer (excluding retail), transport, information, communication, finance, insurance, real estate and business services. The panel is stratified by detailed sector and company workforce size, based on contributions to GDP. Data collection began in December 2005.

Survey responses are collected in the second half of each month and indicate the direction of change compared to the previous month. A diffusion index is calculated for each survey 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.

The headline figure is the Services Business Activity Index. This is a diffusion index calculated from a question that asks for changes in the volume of business activity compared with one month previously. The Services 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 figure.

The Composite Output Index is a weighted average of the Manufacturing Output Index and the Services Business Activity Index. The weights reflect the relative size of the manufacturing and service sectors according to official GDP data. The Composite Output Index may be referred to as the 'Composite PMI' but is not comparable with the headline manufacturing PMI figure.

Underlying 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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