News Release

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HSBC India Services PMI®

Rate of charge inflation joint-strongest in seven years

Key findings

Rising costs and buoyant demand push up charge inflation

Current run of output growth stretches to three years

Solid rise in jobs as business confidence strengthens

Indian service providers experienced a further upturn in business activity during July. Survey respondents mostly cited investment in technology, online offerings, new business gains and rosy demand as the main drivers of growth. The third-fastest expansion in international sales for nearly ten years supported another robust increase in overall new order intakes, which in turn underpinned the hiring of full- and part-time workers.

Higher wage and material costs continued to push up business expenses, with the overall rate of inflation quickening from June. Stronger cost pressures and positive demand trends contributed to the steepest rise in prices charged for the provision of services for seven years.

The seasonally adjusted HSBC India Services Business Activity Index was at 60.3 in July, down only fractionally from 60.5 and above the neutral mark of 50.0 for the thirty-sixth straight month. The latest reading was more than six points higher than its long-run average and highlighted a substantial upturn in business activity.

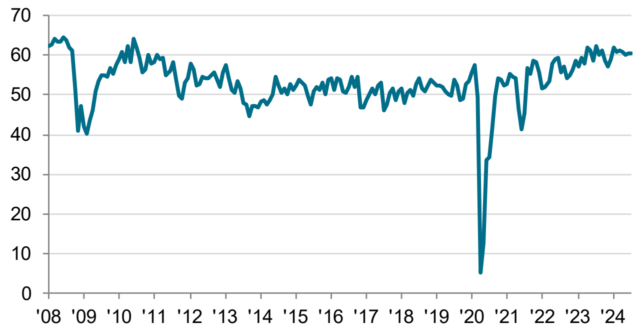
The rise in output reflected a sustained increase in sales volumes in July, with survey participants particularly commenting on buoyant demand, tech investment and a growing online presence. Total new orders expanded at a historically sharp pace.

New export orders increased at the third-strongest pace since the inception of the series in September 2014, amid strengthening demand for Indian services from across the world. Some of the sources of rising export orders mentioned by panellists included Austria, Brazil, China, Japan, Singapore, the Netherlands and US.

Meanwhile, a pick-up in cost pressures and stronger pipelines of new business encouraged panellists to hike their selling prices again in July. The overall rate of charge inflation

HSBC India Services PMI Business Activity Index

sa, >50 = growth since previous month



Sources: HSBC, S&P Global PMI.

Data were collected 10-29 July 2024.

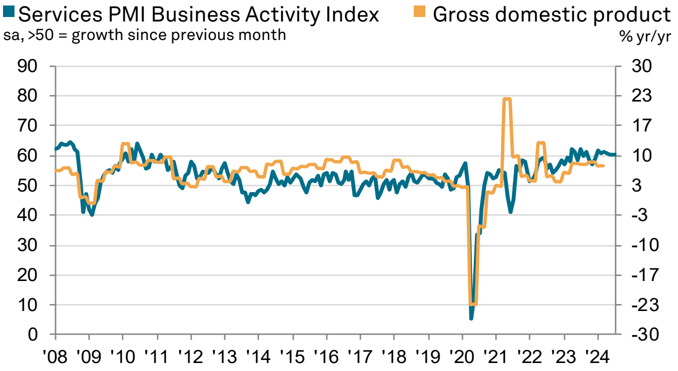
Comment

Pranjul Bhandari, Chief India Economist at HSBC, said:

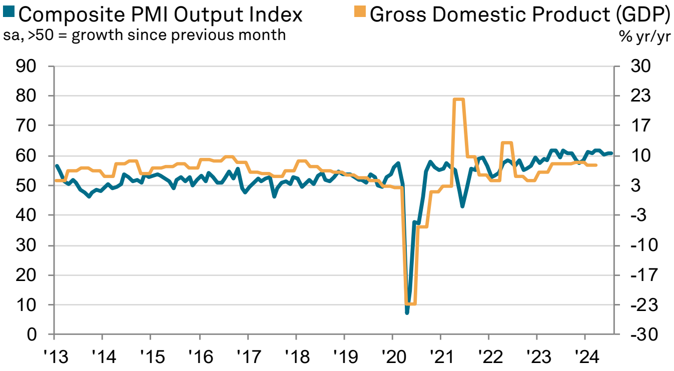
"India's composite PMI recorded another month of robust expansion in July, albeit at a slightly slower pace than in June. Robust demand conditions, reflected by increased new orders from both domestic and international markets, led firms to increase hiring levels. On the price front, higher wages and material costs led to a further increase in input costs. Consequently, output prices rose at the fastest pace in over 11 years. Service sector activity rose at a slightly slower pace in July, with new business increasing further, primarily driven by domestic demand. Looking ahead, services firms remained optimistic about the outlook for year-ahead."

PMI by S&P Global

HSBC



Sources: HSBC, S&P Global PMI, CSO via S&P Global Market Intelligence.



Sources: HSBC, S&P Global PMI, CSO via S&P Global Market Intelligence.

climbed to a seven-year high.

When explaining cost increases, firms particularly mentioned labour and materials. The latter was in turn attributed to greater outlays on eggs, meat and vegetables. The overall rate of cost inflation was solid and faster than that seen in June, but remained below its long-run average.

Favourable economic conditions and optimistic expectations for output supported recruitment among services firms. The latest rise in employment levels was among the strongest in close to two years. Job creation was achieved via the hiring of full- and part-time staff, anecdotal evidence showed.

Despite historically strong increases in employment in recent months, and in tandem with demand buoyancy, backlog volumes rose further in July. The pace of accumulation was moderate, despite quickening from that seen at the end of the first fiscal quarter.

Looking ahead, services firms remained strongly optimistic about growth prospects. Around 30% of the survey panel forecast greater output volumes in the next 12 months, while only 2% expect a decline. The overall level of sentiment rose since June and was aligned with its long-run average. Anecdotal evidence suggested that confidence in the outlook for demand and sales, alongside improved customer engagement and new enquiries, boosted optimism.

HSBC India Composite PMI®

Private sector output rises further in July

The HSBC India Composite Output Index* posted 60.7 in July, down only fractionally from 60.9 in June and above the crucial 50.0 no-change mark for the thirty-sixth month running. Hence, the latest reading signalled a continuation of the strong growth momentum seen recently. As has been the case since February, the manufacturing industry led the upturn.

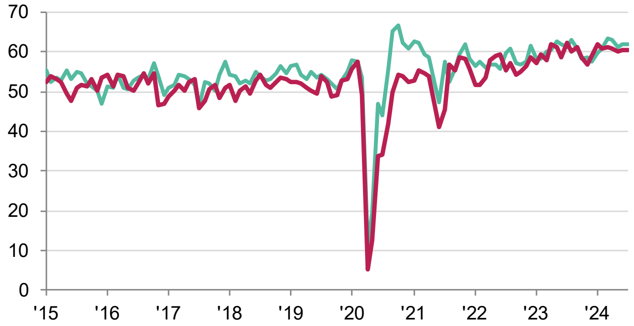
Total new work rose sharply and at a pace that was considerably above its long-run average. Manufacturers experienced the stronger increase in new orders, despite a slowdown in its rate of expansion. Meanwhile, job creation remained solid across the two segments.

Worryingly, charged inflation climbed to a near 11-and-a-half-year high in July amid stronger increases at goods producers and service providers.

Input cost inflation also ticked higher in July, but remained below its long-run average. Manufacturing firms reported stronger cost pressures than their services counterparts.

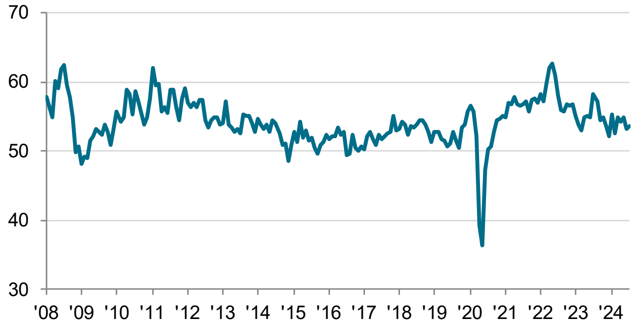
*Composite PMI indices are weighted averages of comparable manufacturing and services PMI indices. Weights reflect the relative size of the manufacturing and service sectors according to official GDP data.

Manufacturing PMI Output Index
Services PMI Business Activity Index
sa, >50 = growth since previous month



Sources: HSBC, S&P Global PMI.

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 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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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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