

News Release

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HSBC India Services PMI[®]

Upturn in service sector activity quickens in August as new business growth ticks higher

Key findings

Stronger expansions in business activity and new work

International orders rise to weakest extent in six months

Charge inflation recedes, curbed by softer cost pressures

Indian service providers signalled that the strong start to the second fiscal quarter continued into August, with business activity expanding to the greatest extent since March as growth of incoming new business ticked higher. Moreover, payroll numbers rose solidly as companies remained upbeat regarding the economic outlook. Another positive development included a slowdown in output charge inflation, which was helped by cost pressures retreating to their lowest in four years.

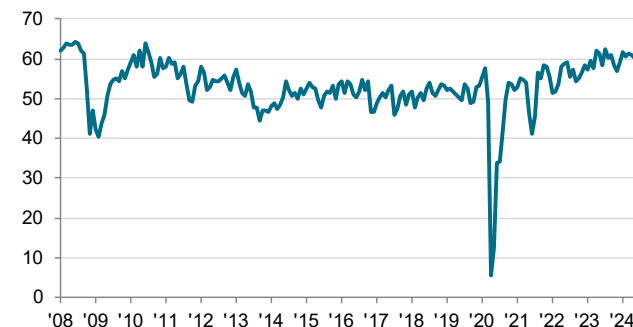
At 60.9 in August, the seasonally adjusted HSBC India Services Business Activity Index was inside expansion territory for the thirty-seventh straight month. Moreover, rising from 60.3 in July, the headline figure indicated the strongest rate of expansion since March and one that was well above its long-run average. According to panel members, growth was underpinned by productivity gains and positive demand trends.

The current run of new order growth was also stretched to 37 months in August. The rate of increase quickened marginally from July and was the strongest since April, as more than one-quarter of panellists reported an improvement and only 5% indicated a deterioration.

Sub-sector data showed Finance & Insurance as the best-performing area of India's service economy regarding both output and new business.

Underlying data indicated that the pick-up in total sales growth was centred on the domestic market, as new export business increased at a slower pace in August. The rise was still marked, despite easing to a six-month low. Companies that reported an improvement commented on better demand from Asia, Australia, Europe, Latin America, the Middle East and the US.

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



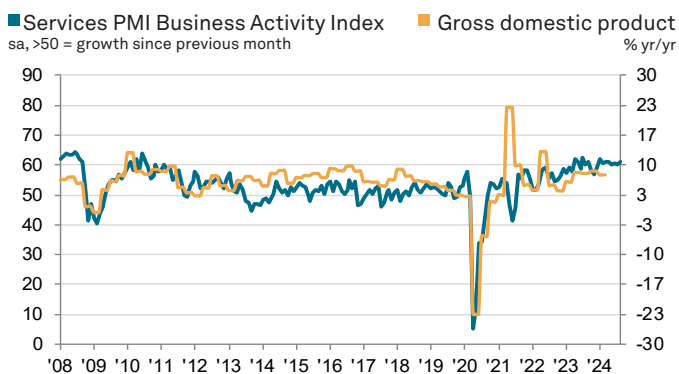
Sources: HSBC, S&P Global PMI.

Data were collected 9-28 August 2024.

Comment

Pranjul Bhandari, Chief India Economist at HSBC, said:

"The Composite PMI for India continued to show strong growth in August, driven by accelerated business activity in the service sector, which experienced its fastest expansion since March. This growth was largely fuelled by an increase in new orders, particularly domestic orders. Employment levels remained robust, though there was a slight decrease in the pace of hiring compared to July. On a positive note, input costs rose at their slowest pace in six months, with both the manufacturing and service sectors exhibiting the same pattern. Consequently, output price inflation receded in August. However, the outlook for the Indian private sector over the next year has moderated, reaching its lowest level in 15 months due to competitive pressure, although the Future Output Index remained above the long-term average."



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

Service providers signalled a further increase in their operating expenses, amid greater food, labour and transportation costs. The overall rate of inflation was, however, modest and the weakest since August 2020.

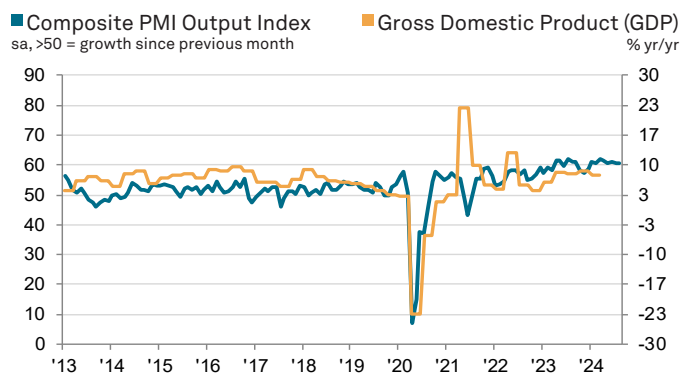
Fewer than 4% of monitored companies signalled an increase in their average selling prices relative to July, with the remaining firms reporting no change. Subsequently, the overall rate of charge inflation across India's service economy was moderate. The rise was also slower than that seen in July.

Out of the four sub-sectors tracked by the survey, Consumer Services posted the sharpest increase in input costs during August. Charge inflation was led by Transport, Information and Communication.

Confidence in the year-ahead outlook for business activity, coupled with rising backlogs and sustained growth of new business continued to support job creation across the service sector. The pace of employment growth remained solid, despite slowing to a four-month low.

Outstanding business volumes likewise rose at a slower rate in August, one that was the weakest since February.

Whereas 21% of service providers foresee an increase in output over the course of the coming 12 months (only 1% expect a fall), this compared with roughly 30% in July. Subsequently, the overall level of positive sentiment slipped to a 13-month low. Some firms were concerned about competitive pressures.



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

HSBC India Composite PMI®

Rate of output growth unchanged as acceleration in services offsets slowdown in manufacturing

August data showed another substantial increase in Indian private sector output. At 60.7, the HSBC India Composite Output Index* matched July's reading and therefore remained comfortably above its long-run average of 54.6. Service providers signalled the strongest increase in business activity since March, while goods producers posted the weakest rise in production for seven months.

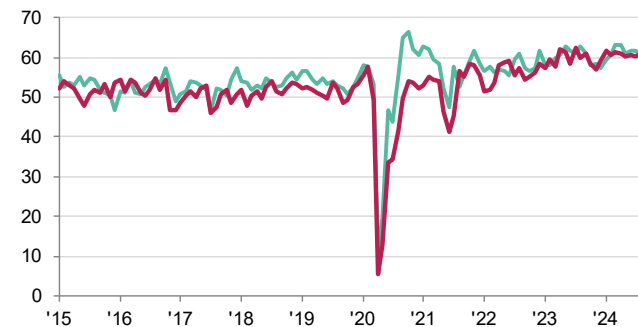
A similar trend was seen for new orders, with the service sector posting a quicker increase as manufacturing saw a slowdown. At the composite level, sales rose substantially during August, though at the weakest pace since May.

Trends for input prices were consistent at manufacturing companies and their services counterparts, as both saw cost pressures receded in August. The aggregate rate of inflation retreated to a six-month low.

August survey data showed that prices charged for Indian goods and services rose to a lesser extent than in July. Manufacturers continued to note the quicker increase.

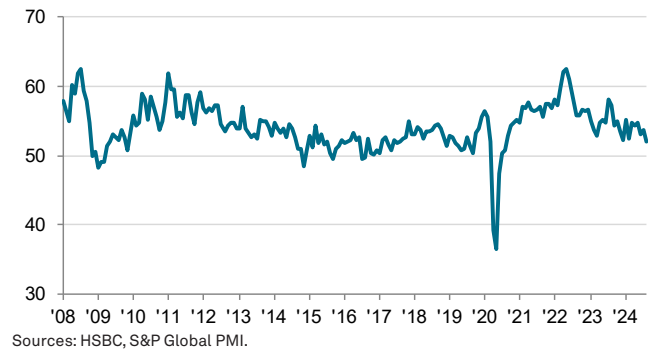
*Composite PMI indices are weighted averages of comparable manufacturing and services PMI indices. Weights reflect the relative size of the manufacturing and service sectors according to official GDP data.

■ 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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About PMI

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