

News Release

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HSBC India Services PMI®

Charge inflation at near 12-year high as job creation hits survey record

Key findings

Service providers signal unprecedented rise in employment

Steepest rise in selling prices since early-2013

Food and wages fuel cost inflation

With growth of new orders and output receding only fractionally, India's service economy posted yet another impressive performance in November. The HSBC PMI® survey, conducted by S&P Global, also showed that ongoing improvements in sales added to firms' capacity pressures subsequently boosting job creation. Amid the hiring of permanent and temporary staff, employment growth reached a survey peak.

The downside to this unprecedented upturn in job creation was an intensification of price pressures. Input costs rose to the greatest extent in 15 months, while selling prices increased at the fastest rate in close to 12 years.

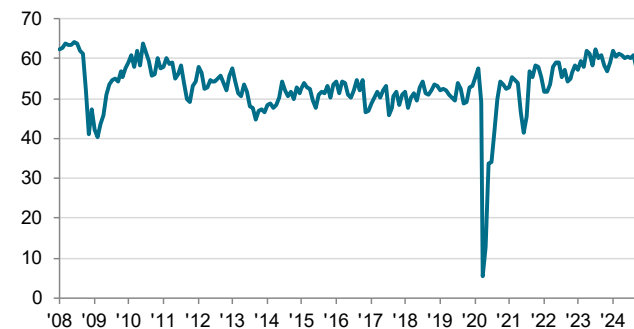
At 58.4 in November, down only fractionally from 58.5 in October, the seasonally adjusted HSBC India Services Business Activity Index – based on a single question asking how the level of business activity compares with the situation the month before – indicated a sharp rate of expansion that remained well above its trend. When explaining the upturn, survey participants remarked on demand strength and new business gains.

Total sales increased at a softer pace than in October, but the respective seasonally adjusted index was nevertheless more than four points above its long-run average and consistent with robust growth.

Panellists continued to signal improving international demand for their services. New export orders increased at a solid rate that was the quickest in three months, but well below those seen around mid-year. Where growth was reported, firms noted gains from clients in Asia, Europe, Latin America and the US.

To accommodate for rising intakes of new business, services firms continued to expand their operating capacities through recruitment drives. Anecdotal evidence highlighted a

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



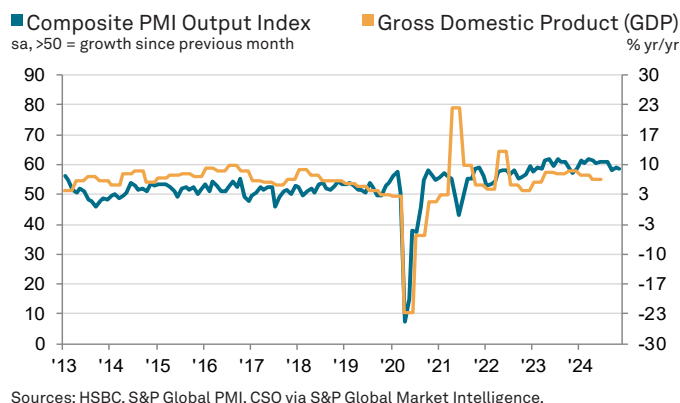
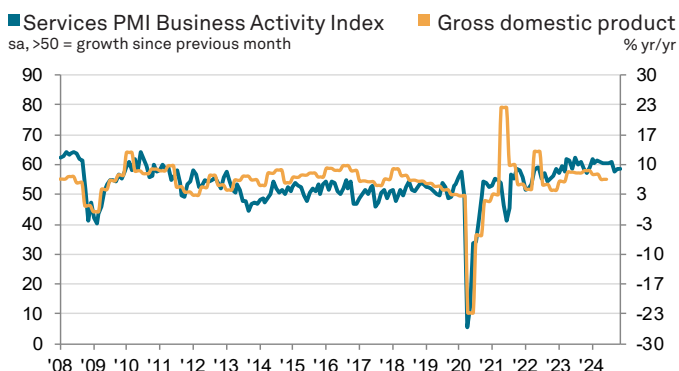
Sources: HSBC, S&P Global PMI.

Data were collected 11-27 November 2024.

Comment

Pranjul Bhandari, Chief India Economist at HSBC, said:

"India posted a strong 58.4 services PMI in November 2024, down only a fraction from the prior month's 58.5. During November, services sector employment notably grew at the fastest pace ever recorded since this survey began in 2005. The hiring surge reflected the sector's improving business confidence, growing new orders, and vigorous international demand. At the same time, high food and labour costs drove up input and output prices to their fastest rates in 15 months and nearly 12 years respectively."



combination of permanent and temporary hires in November. Overall employment rose at the fastest pace seen since the inception of the survey in December 2005.

Amid reports of higher food and labour costs, service companies in India observed another upturn in business expenses midway through the third fiscal quarter. The rate of inflation was sharp, the strongest in 15 months and above its long-run average.

This intensification of cost pressures reportedly prompted service providers to lift their own charges in November. On some occasions, companies suggested that hikes were supported by rosy demand. Output prices increased at the fastest rate in close to 12 years.

Elsewhere, November's results signalled a pick-up in capacity pressures among service providers. Work pending completion increased at the quickest pace in six months. The rise was commonly attributed to ongoing improvements in sales volumes.

Finally, service providers were more confident regarding the year-ahead outlook for business activity. Confidence reached its highest level since May, boosted by predictions of continued demand strength and expectations that marketing efforts will drive new business.

HSBC India Composite PMI®

Steep rise in employment fuels price pressures

Private sector companies in India indicated that demand strength supported further growth of new business and output in November. Ongoing increases in sales continued to add to capacity pressures, which led firms to hire staff at the quickest pace since comparable data became available 19 years ago.

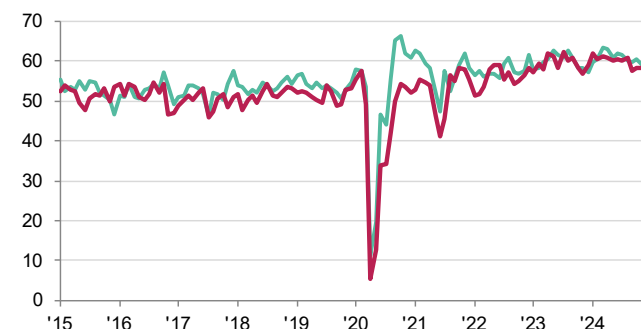
Paired with rising input prices, labour costs exerted upward pressure on inflation. Overall expenses and output charges rose at the fastest rates in 15 months and almost 12 years respectively.

The HSBC India Composite Output Index* posted 58.6 in November, down only marginally from 59.1 in October and therefore indicating a sharp rate of expansion. The goods producing sector recorded the larger slowdown in growth, but still posted a faster increase than that seen in the service economy. The same trend was evident for new orders.

Service providers signalled sharper cost pressures than manufacturers, and subsequently recorded the steeper increase in selling prices.

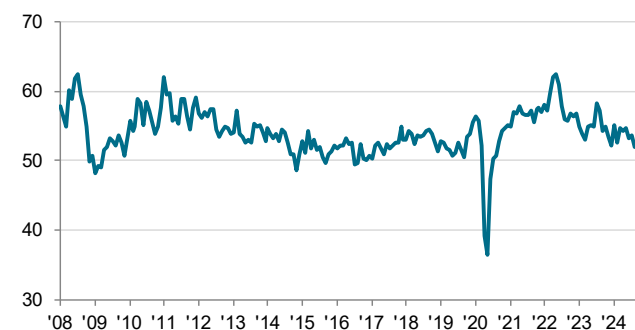
*Composite PMI indices are weighted averages of comparable manufacturing and services PMI indices. Weights reflect the relative size of the manufacturing and service sectors according to official GDP data.

■ 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

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