

News Release

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S&P Global India Services PMI[®]

Input cost inflation eases to two-and-a-half-year low

Key findings

Services firms signal weaker increase in average expenses

New business and output rise strongly...

...despite a loss of growth momentum

Service providers in India welcomed another upturn in new work intakes at the end of the last fiscal quarter. Hence, business activity rose further. In both cases rates of expansion remained substantial, despite easing from February. Concurrently, panellists commonly cited adequate capacities for current requirements, a factor that curbed job creation. Firms also suggested that higher food, fuel, transportation and wage costs added to their expenses. That said, the overall rate of input price inflation softened to its lowest since September 2020.

Posting 57.8 in March, the seasonally adjusted S&P Global India Services PMI[®] Business Activity Index was in growth territory (above 50.0) for the twentieth successive month. Despite falling from 59.4 in February and thereby indicating a slower rate of expansion, the latest figure was consistent with a substantial uptick in output. Favourable demand conditions and new business gains were among the reasons cited for the latest rise.

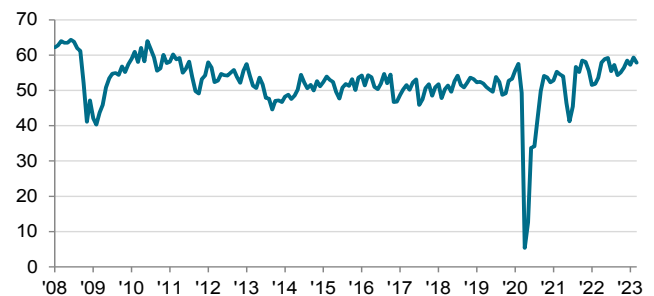
Similar to output, new business inflows increased at a softer but still sharp rate in March. According to survey members, demand resilience, competitive pricing and marketing efforts warranted a further uptick in sales.

The rise in overall new business was supported by an increase in international sales. Companies commonly mentioned an improvement in external demand for their services.

There was a further increase in input prices at Indian services firms, amid reports of higher food, fuel, transportation and wage costs. However, with a large proportion of survey participants signalling no change in expenses since February, the overall rate of inflation was mild and the weakest in two-and-a-half years.

Backed by demand buoyancy, service providers shared part of their additional cost burdens with clients in March via an upward revision to selling prices. The rate of charge inflation picked up to a three-month high, but was moderate and

S&P Global India Services Business Activity Index
sa, >50 = growth since previous month



Source: S&P Global.
Data were collected 10-29 March 2023.

Comment

Pollyanna De Lima, Economics Associate Director at S&P Global Market Intelligence, said:

"India's service sector built on to the momentum gained in February with further increases in new business intakes and output at the end of the 2022/23 fiscal quarter. However, manufacturing has retaken the mantle as the main driver of growth."

"Input price pressures in the service economy continued to subside, alongside the trend seen in manufacturing. Hence, the aggregate rate of input cost inflation moderated to a two-and-a-half-year low."

"Still, a sizeable proportion of services firms hiked their selling prices to hedge against rising costs, emboldened by favourable demand conditions. The rate of charge inflation was moderate but quickened since February, a trend that was matched by manufacturing."

"Weakness was seen with regards to jobs, with broadly no change in employment seen neither in services nor in manufacturing as a general lack of pressure on operating capacities and diminished confidence towards growth prospects prevented hiring activity. More firms in both sectors anticipate no change in future output from present levels."

PMI[®]

by S&P Global

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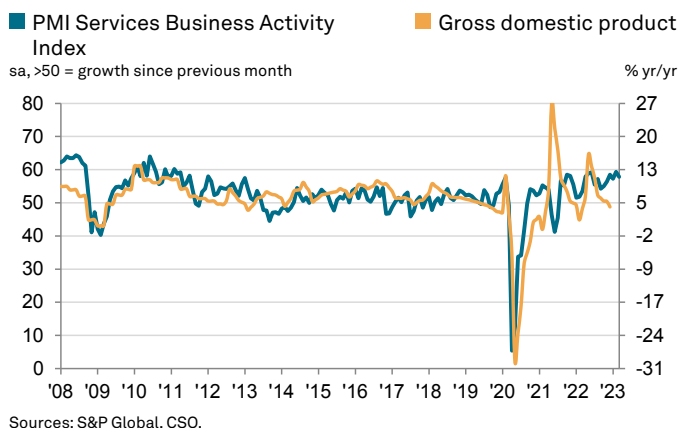
below that seen for input prices.

Capacity pressures remained mild overall, as signalled by a slight increase in outstanding business volumes. The rise in backlogs nevertheless took the current stretch of accumulation to 15 months.

Despite rising for the tenth month in a row, services employment grew only fractionally in March. Close to 98% of survey participants left payroll numbers unchanged amid sufficient staff levels for current requirements.

When providing their assessments towards growth prospects, service providers were on average optimistic that output would expand in the year ahead. Demand strength and marketing efforts were the main reasons supporting business confidence. Nevertheless, the overall level of positive sentiment fell to an eight-month low as several firms foresee no change in activity from present levels.

As has been the case for three successive months, all four broad areas of the service economy registered growth of new business and output. Consumer Services topped the rankings again on both fronts, while the slowest increases were seen in Real Estate & Business Services.



S&P Global India Composite PMI®

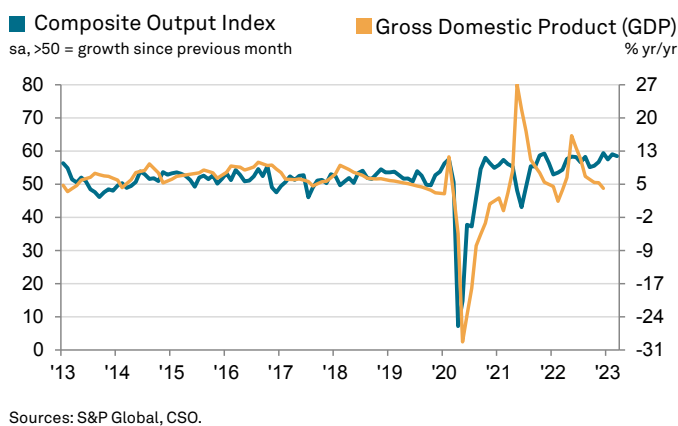
Strong increases in private sector new business and activity

March data highlighted another upturn in aggregate business activity across India. Despite falling from 59.0 in February to 58.4 in March, the S&P Global India Composite PMI® Output Index* pointed to a sharp rate of expansion that was above its long-run average. A slower increase in services activity compared with quicker growth of manufacturing production.

Private sector sales rose for the twentieth consecutive month in March, amid sustained increases at goods producers and service providers. The overall pace of expansion was sharp, despite easing from February.

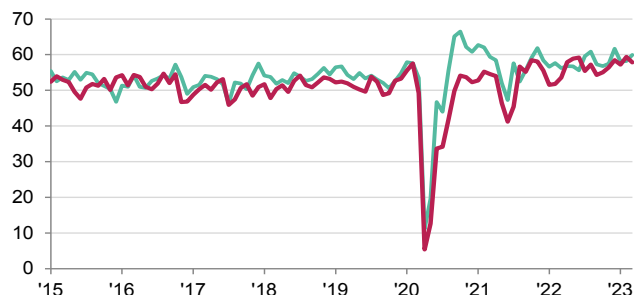
Input costs at the composite level rose at the slowest rate in two-and-a-half years during March. Granular data showed a broad-based slowdown at services companies and manufacturers.

In contrast to the trend for input costs, there was a quicker increase in private sector charges. The rate of inflation quickened to a three-month high, but remained moderate overall.



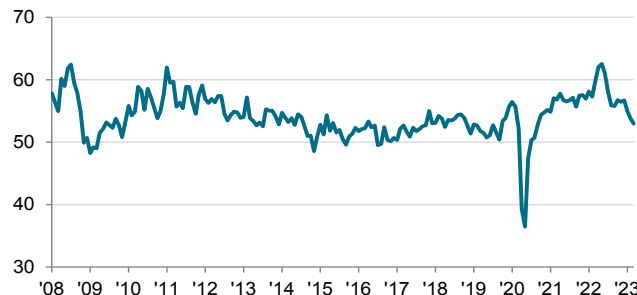
*Composite PMI indices are weighted averages of comparable manufacturing and services PMI indices. Weights reflect the relative size of the manufacturing and service sectors according to official GDP data.

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



Source: S&P Global.

India Services PMI Input Prices Index
 sa, >50 = inflation since previous month



Source: S&P Global.

Survey methodology

The S&P Global 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@ihsmarkit.com.

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We are widely sought after by many of the world's leading organizations to provide credit ratings, benchmarks, analytics and workflow solutions in the global capital, commodity and automotive markets. With every one of our offerings, we help the world's leading organizations plan for tomorrow, today.

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. ihsmarkit.com/products/pmi.html.

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