News Release

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S&P Global India Services PMI®

Service economy sees deceleration in growth and pick-up in price pressures

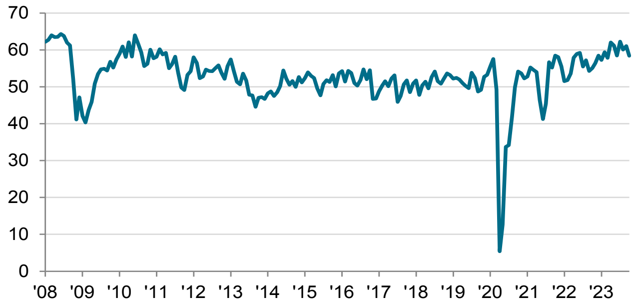
Key findings

Output and new business rise strongly in October...

...but rates of expansion soften in both cases

Inflationary forces strengthen

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



Source: S&P Global PMI.
Data were collected 12-27 October 2023.

Positive demand for Indian services continued to support growth of business activity at the start of the third fiscal quarter. Job generation was maintained and the outlook remained bright. Rates of expansion softened, however, reportedly due to competitive conditions and price pressures. There were faster increases in input costs and output charges during October, with rates of inflation outpacing their respective long-run averages. At the same time, a pick-up in inflation expectations dampened overall business sentiment.

At 58.4 in October, the seasonally adjusted S&P Global India Services PMI® Business Activity Index indicated a substantial upturn in output. This was despite the headline figure falling from 61.0 in September and signalling the slowest rate of expansion since March. Anecdotal evidence indicated that growth was underpinned by the securing of new work, favourable demand trends and positive market conditions. Competitive pressures and inflationary forces restricted the increase, according to surveyed firms.

New business received by services companies rose for the twenty-seventh month in a row during October. Although the weakest since May, the rate of growth remained substantial. Favourable customer interest and successful advertising induced the increase, anecdotal evidence showed, while fierce competition and subdued demand for certain types of services dampened the overall expansion.

October data highlighted the second-fastest upturn in international orders placed with Indian services companies since the series started in September 2014. Survey members noted gains from clients in Asia, Europe and the US.

Services companies in India reported an increase in their expenses in October, which they attributed to higher food, fuel and staff costs. The overall rate of inflation quickened from September and was above its long-run average, but remained softer than most of those registered in the prior

Comment

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

"The Indian service economy continued to register impressive growth, despite the increases in business activity and new work intakes softening from September's over 13-year highs.

"Several companies managed to secure new contracts, but some mentioned subdued demand for their services and competitive conditions.

"Exports was an area of particular strength in October, with new business gains from Asia, Europe and the US boosting growth to its second-highest in the series over nine-year history.

"Inflationary forces in the Indian service sector intensified, primarily as a result of surging food, fuel and staff costs. Although survey participants passed these additional cost burdens on to clients, permitted by demand strength, the rise in charges could have been the trigger of the deceleration in sales growth. Moreover, a pick-up in inflation expectations in October dampened business confidence."

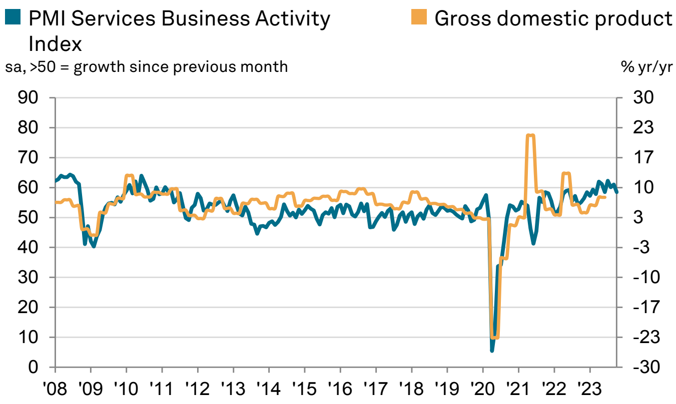
fiscal year. The Consumer Services category recorded a particularly sharp rise in input prices.

Firms felt the need to share additional cost burdens with their clients in October, resulting in another monthly increase in selling prices. The rate of charge inflation was marked, above its long-run average and the joint-strongest in close to six-and-a-half years.

The survey findings indicated that robust demand for services continued to stimulate hiring activity. Similar to the trend for total sales, however, the rate of job creation lost steam. The latest rise was the slowest in three months.

Capacity pressures at Indian service providers remained mild in October, as highlighted by a slight uptick in outstanding business volumes. The pace of accumulation was broadly aligned with its historical trend.

The Future Activity Index fell by more than five points in October, signalling some loss of confidence surrounding the outlook for services output, amid rising inflation expectations. The level of positive sentiment was nevertheless in line with the long-run series average. Advertising, plans to price competitively, better customer relations and demand resilience were among the reasons underpinning optimism.



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

S&P Global India Composite PMI®

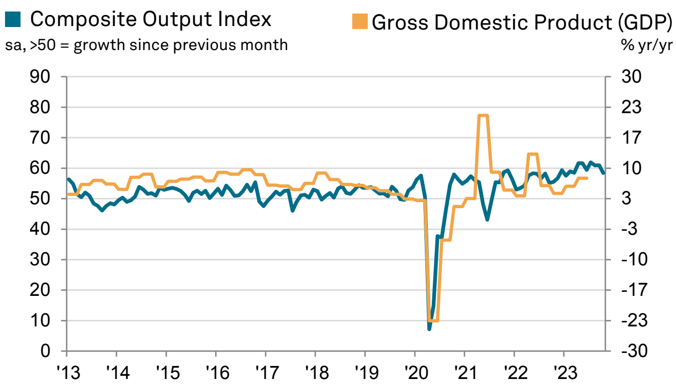
Private sector sees broad-based slowdown in growth across manufacturing and services

Although India continued to post substantial growth of aggregate business activity, the upturn lost strength in October amid slower increases in manufacturing production and services activity. The S&P Global India Composite PMI® Output Index* fell from 61.0 in September to 58.4, indicating the weakest rate of expansion since March.

New business recorded a similar loss of growth momentum, with manufacturing companies and their services counterparts indicating softer increases. At the composite level, sales rose at the slowest pace since January 2023.

Input price inflation across India's private sector picked-up pace in October, but remained below its long-run average. The service economy registered a stronger rate of increase in cost burdens than the manufacturing industry.

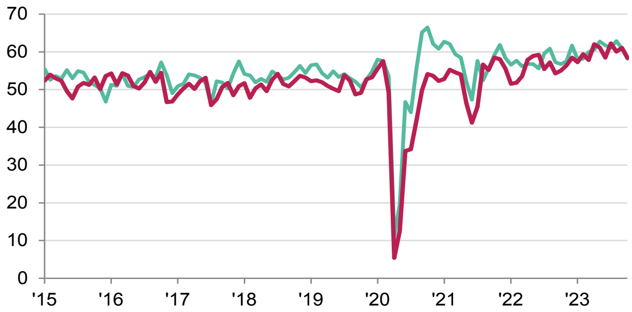
Prices charged for Indian goods and services rose further in October, thereby stretching the current sequence of inflation to nearly three years. Having quickened from September, the rate of increase was marked and faster than its long-run average.



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

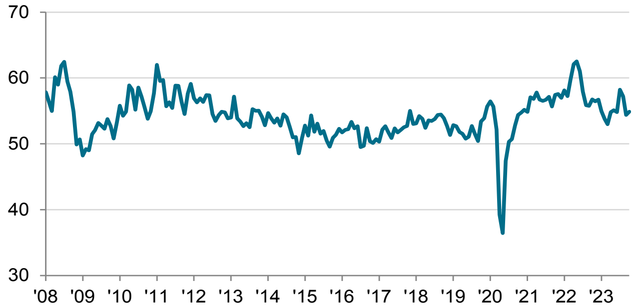
*Composite PMI indices are weighted averages of comparable manufacturing and services PMI indices. Weights reflect the relative size of the manufacturing and service sectors according to official GDP data.

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



Source: S&P Global PMI.

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



Source: S&P Global PMI.

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@spglobal.com.

About S&P Global
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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. www.spglobal.com/marketintelligence/en/mi/products/pmi

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