

News Release

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S&P Global India Services PMI[®]

Services firms welcome stronger inflows of new business in December

Key findings

Business activity and sales rise at quicker rates

Input cost inflation ticks higher

Charges increase at softer, albeit solid, pace

December data highlighted an improvement in the health of the Indian service sector, with a quicker upturn in new business boosting output growth. More jobs were created and companies remained strongly upbeat towards the year-ahead outlook for business activity. There was a sharp rise in firms' expenses — amid greater energy, food, staff and transportation costs — which led to a further increase in prices charged for the provision of services.

The seasonally adjusted S&P Global India Services PMI[®] Business Activity Index rose from 56.4 in November to 58.5 in December, highlighting the strongest rate of expansion since mid-2022. Companies commonly linked the upturn to robust intakes of new work and favourable market conditions.

The Finance & Insurance segment recorded the quickest increase in output, whereas Real Estate & Business Services propped the rankings.

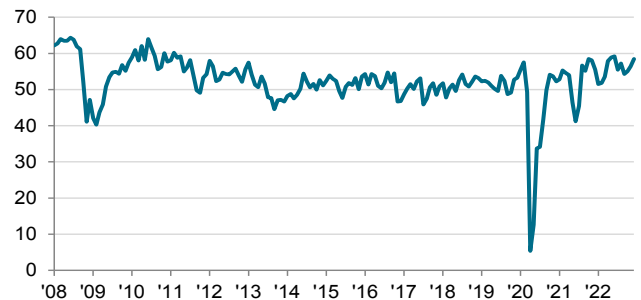
New business received by Indian services companies increased for the seventeenth month in a row in December. Moreover, the rate of expansion was sharp and the fastest since August. Where growth was reported, panellists mentioned demand strength and successful marketing initiatives.

Granular data highlighted Finance & Insurance as the best-performing sector with regards to sales, while Real Estate & Business Services saw the slowest expansion in new orders.

Input costs at services companies rose further, with companies mentioning wage pressures and higher prices for energy, food and transportation. The overall rate of inflation quickened from November and was above its long-run average. By sector, input cost inflation was most acute in Consumer Services.

As a result of a further increase in business expenses, firms lifted their own selling prices at the end of the year. The rate of charge inflation eased from November, but remained solid

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



Source: S&P Global.
Data were collected 06-21 December 2022.

Comment

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

"December saw a welcome expansion in Indian services activity, underscoring the resilience of demand as 2022 came to an end. As we head into 2023, companies signalled strong optimism towards the outlook for output. Around 31% of panellists forecast growth, while only 2% anticipate a contraction.

"Positive sentiment and ongoing growth of new business continued to support job creation, but there were areas where capacities were reportedly adequate to cope with current requirements.

"Inflation trends were mixed, as input prices rose at a faster pace and the upturn in charges moderated. On the expense front, services firms reported pressure from energy, food, staff and transportation costs. Although easing from November, the rate of output charge inflation remained elevated as several companies felt the need to transfer escalating costs through to clients."

PMI[®]

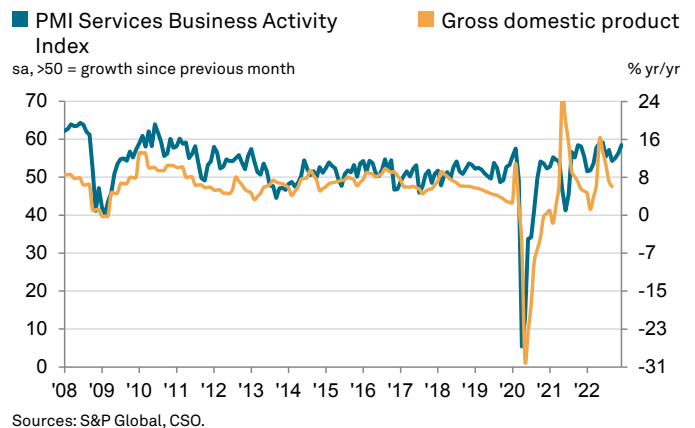
by S&P Global

and historically elevated. Finance & Insurance topped the rankings for output charge inflation for the second month running.

Indian service providers readjusted their capacities to accommodate for rising new business via further recruitment drives in December. The pace of job creation was above its long-run average, but eased to a five-month low.

Although capacities came under pressure from robust intakes of new work, December data pointed to only a mild increase in outstanding business. The latest rise in backlogs took the current stretch of accumulation to a year, and the rate of growth quickened from November.

Predictions of further improvements in demand and marketing plans continued to support business confidence in December. Companies were at their least upbeat in three months, but the overall level of positive sentiment remained above its long-run average. Competitive pressures and inflation concerns dampened overall optimism.



S&P Global India Composite PMI®

Growth of private sector output climbs to near 11-year high

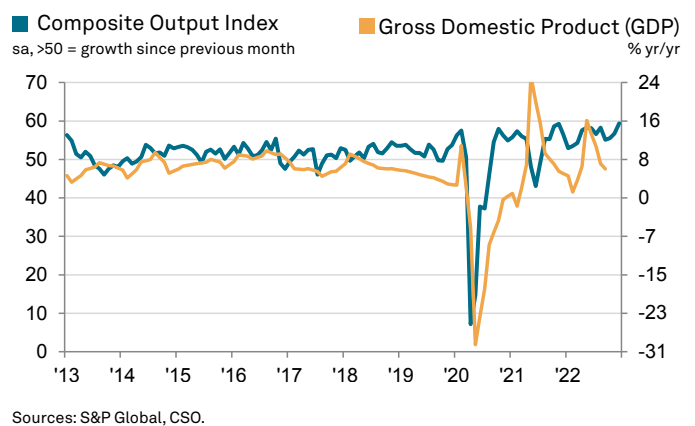
Indian private sector firms signalled a strong performance at the end of 2022, with manufacturers and service providers recording faster expansions in output. Rising from 56.7 in November to 59.4 in December, the S&P Global India Composite PMI Output Index* highlighted the quickest rate of growth since January 2012.

Aggregate sales rose sharply and at the fastest pace since August, boosted by quicker expansions at goods producers and services companies.

With capacity pressures remaining mild, job creation across the private sector slowed to a five-month low. Nevertheless, the rate of expansion remained above its long-run average.

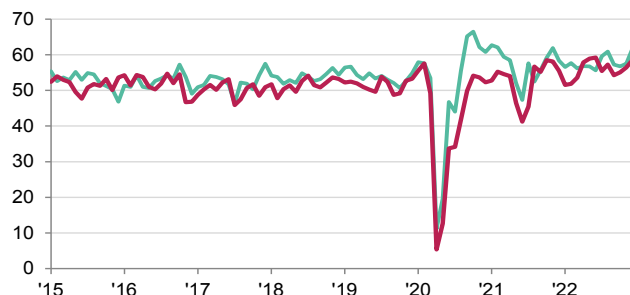
There were quicker increases in input costs across both the manufacturing and service economies. At the composite level, the rate of inflation was at a two-month high and above its long-run average.

Output charge inflation across the private sector also ticked higher, as a stronger increase in the manufacturing industry more than offset a slowdown among service providers.



*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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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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