

News Release

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HSBC India Services PMI®

Service sector sees faster growth and softer inflationary pressures at year end

Key findings

Growth of new business and output reach four-month highs

Companies strongly upbeat towards the outlook for 2025

Slowdown in cost pressures curbs charge inflation

Indian services companies ended 2024 on a strong footing, according to the HSBC PMI® survey. Demand buoyancy continued to drive new business inflows higher, which in turn supported output growth and prompted firms to recruit additional workers. Survey participants were also strongly upbeat regarding the year-ahead outlook for business activity.

On the price front, there was a softer increase in cost burdens, though panellists continued to report greater outlays on food, labour and materials. Selling price inflation likewise eased in December.

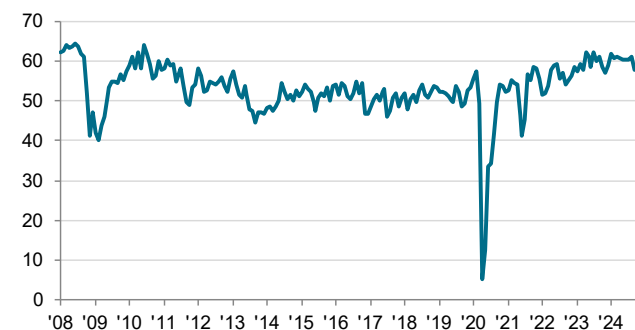
The seasonally adjusted HSBC India Services Business Activity Index – based on a single question asking how the level of business activity compares with the situation the month before – rose from 58.4 in November to 59.3 in December, highlighting the strongest rate of expansion in four months.

Buoyant underlying demand was identified by companies as the primary factor behind output growth. Not only did new orders increase for the forty-first month in a row, but also to the greatest extent since August 2024. In some instances, survey members indicated that recent efforts to expand capacities allowed them to accept more work.

Finance & Insurance again registered by far the strongest increases in both new orders and business activity at the sub-sector level.

Service providers remained confident that output would increase over the course of the coming 12 months. The overall level of positive sentiment fell from November's six-month high, but remained above its long-run average. Expanded capacities, new customer enquiries and budget allocation towards marketing were some of the tailwinds cited by firms.

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



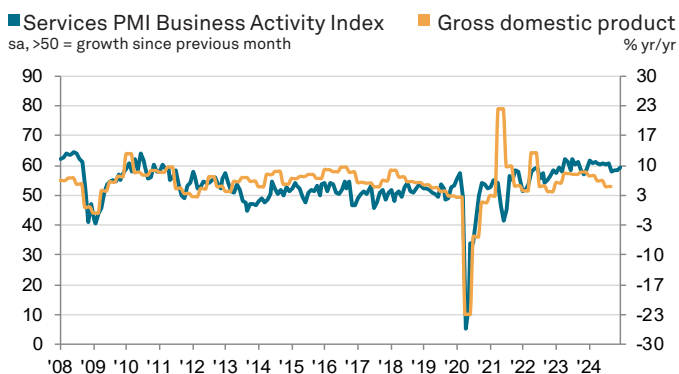
Sources: HSBC, S&P Global PMI.

Data were collected 4-19 December 2024.

Comment

Ines Lam, Economist at HSBC, said:

“India’s services companies expressed strong optimism in December as business activity growth surged to a four-month high. Forward-looking indicators such as new business and future activity suggested that the strong performance will likely continue in the near future. The easing of input price inflation in the month also supported business sentiment. Strength in the services PMI stands in contrast with the growing signs of a slowdown in the manufacturing industry.”



Although services companies continued to see their business expenses rising in December, the rate of inflation softened from November's 15-month high. Anecdotal evidence suggested that firms paid more for food, labour and material.

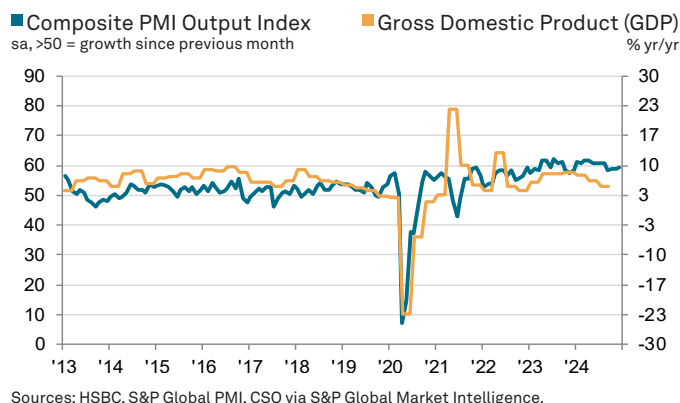
Reflecting a further increase in input costs, service providers raised their own fees again in December. The rate of charge inflation remained above its long-run trend, despite slowing from November.

Out of the four sectors covered by the survey, cost pressures were by far strongest at Consumer Services firms. Charge inflation was highest in the Transport, Information and Communication category.

With new business intakes continuing its upward trend, services firms experienced some pressure on their capacities. This was evidenced by another increase in outstanding business volumes. The rate of backlog accumulation quickened to a seven-month high.

The combination of new business growth, upbeat forecasts and rising capacity pressures supported another round of job creation across the service economy. The rate of employment growth softened from November, but was sharp and among the strongest seen since data collection began in December 2005.

Finally, there was a solid increase in international orders placed with service providers during December. Growth nevertheless retreated to a three-month low.



HSBC India Composite PMI®

Services lead pick-up in growth of aggregate output

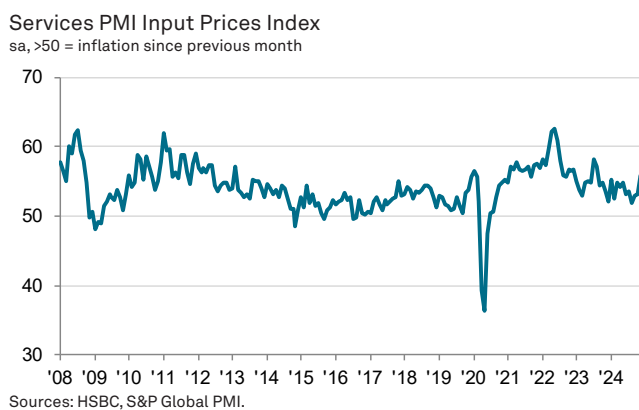
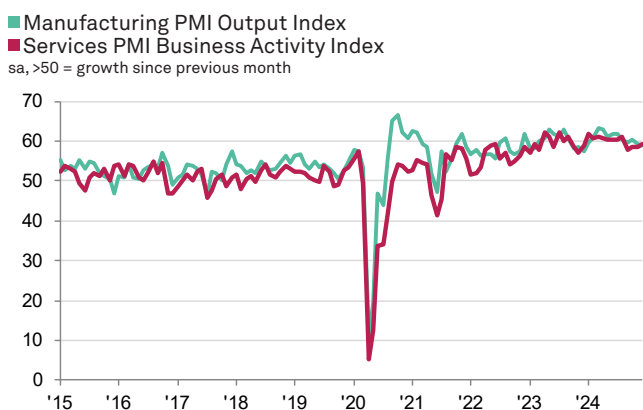
Private sector companies in India posted a faster increase in output at the end of the calendar year. The acceleration was driven by service providers who recorded a quicker increase in business activity when factory production growth softened. At 59.2 in December, up from 58.6 in November, the HSBC India Composite Output Index* signalled the strongest rise for four months.

Similarly, a fastest increase in new business at services firms more than offset a fractional slowdown at goods producers. As a result, aggregate sales expanded at a stronger rate.

Although job creation remained stronger in the service sector than in the manufacturing industry, the latter saw a pick-up in growth and the former a slowdown. At the composite level, employment expanded at a softer pace that was nevertheless among the strongest on record.

Input cost inflation across the private sector economy eased during December. There was also a slower increase in prices charged for goods and services.

*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.



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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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