

News Release

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S&P Global India Services PMI[®]

January sees sharp expansions in services activity and new business

Key findings

Output and sales rise at softer but strong rates

Input cost inflation recedes to two-year low

Weakest increase in output charges since March 2022

Indian services firms again welcomed a strong influx of new business during January, which underpinned further growth of output. Despite easing from December, rates of expansion remained historically elevated. The latest results showed mild capacity pressures among panellists, as backlogs rose further, but there was little change to employment levels. On the price front, there were slower increases in both input costs and output charges.

Posting 57.2 in January, the seasonally adjusted S&P Global India Services PMI[®] Business Activity Index signalled an eighteenth successive monthly rise in output. Despite falling from 58.5 in December, the latest figure remained above its long-run average (53.5) and indicated a sharp rate of growth. The upturn was associated with favourable demand conditions and ongoing increases in new work.

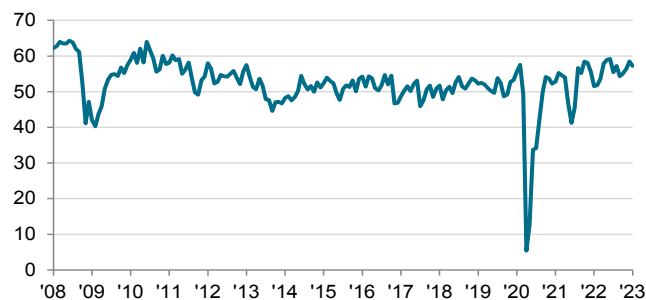
Indeed, new orders placed with services companies continued to increase at the start of the fourth fiscal quarter. The rise took the current stretch of monthly expansions to a year-and-a-half and was sharp, despite slowing from December. According to panel members, favourable economic conditions, accommodative demand and marketing efforts supported sales.

Underlying data suggested that the rise in total new business was centred on the domestic market, as international orders decreased. The fall was only marginal, but compared with the strongest upturn for almost three-and-a-half years in December.

Outstanding business volumes rose for the thirteenth month running in January, and at the quickest rate since last August. That said, the latest accumulation was moderate as fewer than 3% of firms saw growth and the remaining no change.

Amid reports of greater output needs, some companies took on additional staff in January. However, hiring growth was restricted by mentions of adequate capacities for current requirements at other firms. The overall rate of job creation

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



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

Comment

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

"As seen earlier in the week from the manufacturing PMI results, growth across the service sector lost some momentum at the start of the year.

"Yet, the survey showed us that service providers received high amounts of new business which helped keep the overall rate of growth historically prominent. Demand resilience in turn meant that output also continued to expand at a generally strong pace.

"After re-accelerating in December, input cost inflation in the service economy retreated to a two-year low in January, aiding a slower and only moderate upturn in selling prices.

"The latest results highlighted some caution among service providers, partly evidenced from the vast majority of firms predicting no change in output from present levels. This somewhat subdued level of confidence towards the outlook appeared to have stymied job creation in January."

PMI[®]

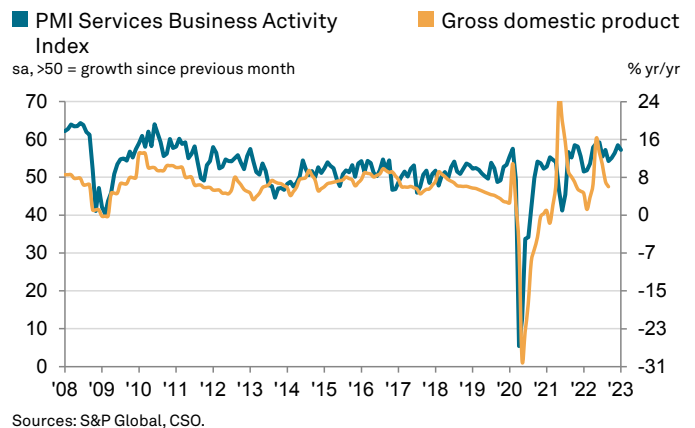
by S&P Global

was fractional and the joint-weakest in the current eight-month sequence of expansion.

Services companies noted a further increase in their expenses during January, which they attributed to higher costs for a wide range of materials, food and staff. Whilst remaining above its long-run average, the rate of inflation softened to a two-year low.

Similarly, prices charged for the provision of services rose at a softer pace in January. The latest rise was the slowest since March 2022 and below the average seen since the survey started in December 2005. Some panel members indicated that demand strength enabled the transfer of cost increases to clients, but several firms opted to absorb additional cost burdens instead of hiking their fees amid attempts to boost sales.

Marketing initiatives, expanded capacities and predictions that demand will remain strong in the year ahead underpinned optimism towards growth prospects. However, the overall level of positive sentiment fell to a six-month low as the vast majority of panellists (80%) forecast no change in activity from current levels.



S&P Global India Composite PMI®

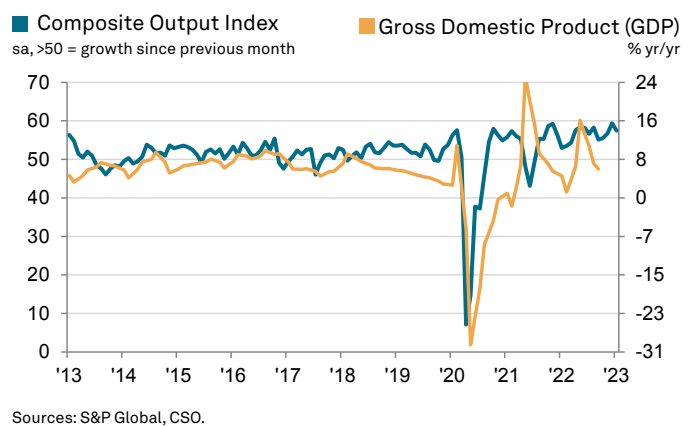
Private sector output continues to rise strongly

January data pointed to another sharp expansion in private sector activity across India. The S&P Global India Composite PMI Output Index* fell from December's near 11-year high of 59.4 to 57.5, but remained above its long-run average (54.1). Manufacturing production increased at a stronger rate than services activity, but growth moderated in both cases.

New business received by private sector companies expanded in January, as has been the case for a year-and-a-half. Rates of growth remained historically strong at goods producers and service providers, despite slowing from December.

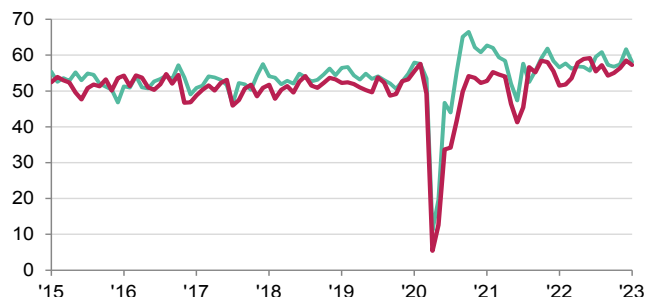
Input price inflation at the composite level softened to a 27-month low at the start of the final fiscal quarter. The slowdown was centred on the service sector, with a quicker upturn seen at manufacturers. That said, cost inflation remained more pronounced among the former.

Prices charged for Indian goods and services rose at the weakest pace in ten months in January. Here, goods producers noted the faster rate of inflation.



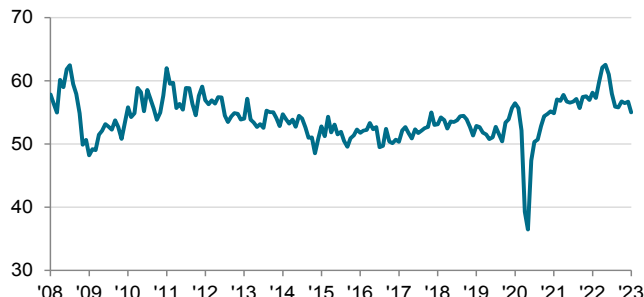
*Composite PMI indices are weighted averages of comparable manufacturing and services PMI indices. Weights reflect the relative size of the manufacturing and service sectors according to official GDP data.

■ 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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