News Release

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HSBC India Services PMI®

Indian service providers signal strong growth in October

Key findings

Sharper expansions in output and new business

Job creation strengthens

Food and wages push up cost inflation

Indian service providers maintained a strong rate of output expansion in October, with growth recovering from September's ten-month low. Participants of the HSBC India Services PMI® survey, conducted by S&P Global, commonly cited healthy customer demand domestically and from abroad. In response to positive sales developments, and optimism regarding near-term prospects, firms recruited extra workers to the greatest degree in just over two years.

Input costs increased at the strongest pace for three months in October. Higher business expenses were largely attributed to rising wage bills and food costs. Efforts to pass these on to clients meant that selling charges were hiked again.

The seasonally adjusted HSBC India Services Business Activity Index is based on a single question asking how the level of business activity compares with the situation the month before. Rising from 57.7 in September to 58.5 in October, the headline figure was consistent with a sharp and accelerated rate of growth that outpaced its long-run average (54.1).

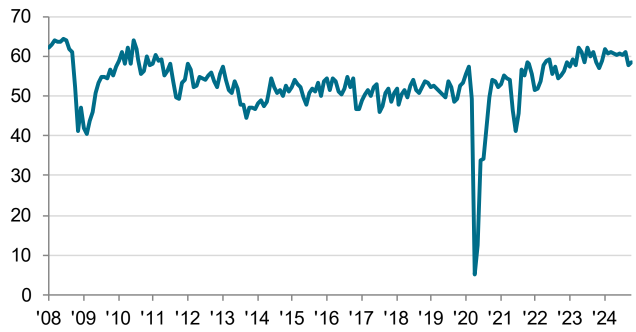
Robust sales pipelines and strong demand conditions supported the upturn in business activity. The rate of sales growth was historically elevated and accelerated from September's ten-month low.

Latest data also highlighted a recovery in growth of new export sales across India's service economy, which survey respondents attributed to strengthening demand from clients in Africa, Asia, the Americas, the Middle East and the UK.

October saw a marked expansion in services employment, one that was the quickest for 26 months. Around 13% of panellists reported job creation, compared to 9% in September. Anecdotal evidence showed that a sustained improvement in new business induced firms to hire full- and

HSBC India Services PMI Business Activity Index

sa, >50 = growth since previous month



Sources: HSBC, S&P Global PMI.

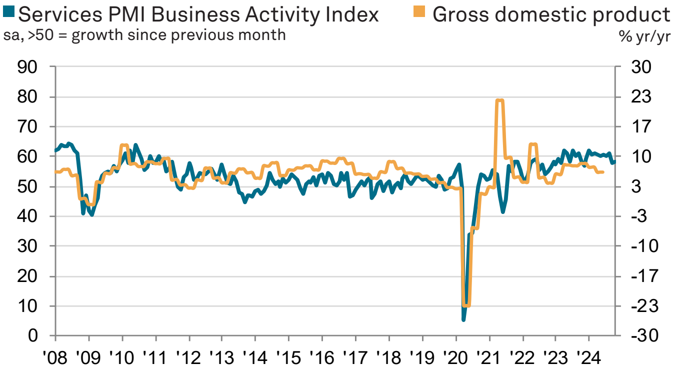
Data were collected 9-29 October 2024.

Comment

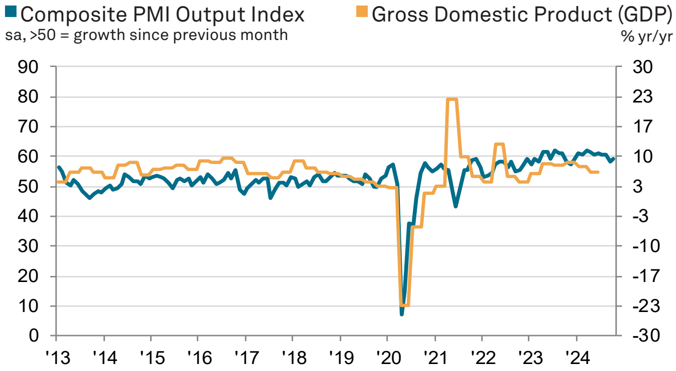
Pranjul Bhandari, Chief India Economist at HSBC, said:

"India's services PMI recovered from its ten-month low in September to reach 58.5 last month. During October, the Indian services sector experienced strong expansions in output and consumer demand, as well as job creation, which achieved a 26-month high. Although input price inflation is accelerating from higher food and wage costs, the general inflation trajectory remains below the long-run average. Meanwhile, business sentiment receded slightly from September, but the future activity index still indicates broadly positive expectations for the year ahead."

PMI by S&P Global HSBC



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



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

part-time workers.

Underlying data indicated that capacity pressures also boosted job creation. Outstanding business volumes increased for the thirty-fourth straight month, with the rate of accumulation quickening to the highest since July.

Input price inflation accelerated to a three-month high in October, with services companies mainly reporting greater food and wage costs. The overall rate of inflation remained below its long-run average, however. Out of the four monitored sub-sectors, cost pressures were highest in Consumer Services.

Companies shared part of their additional cost burdens with clients by continuing to lift selling prices. The rate of charge inflation picked up to the strongest since July and outpaced the series trend. The Finance & Insurance segment again registered the strongest upturn.

Business sentiment remained positive in October, despite receding a little from September. Exactly one-quarter of the survey panel forecast higher output volumes over the coming year, linked to healthy demand trends, marketing efforts and new client enquiries. At the same time, 74% of firms foresee no change in business activity from present levels.

HSBC India Composite PMI®

October sees recovery in growth of aggregate output

Indian private sector activity increased to a greater extent at the start of the third fiscal quarter, owing to stronger growth at both goods producers and service providers. The HSBC India Composite Output Index* rose from September's ten-month low of 58.3 to 59.1, a level consistent with a sharp rate of expansion.

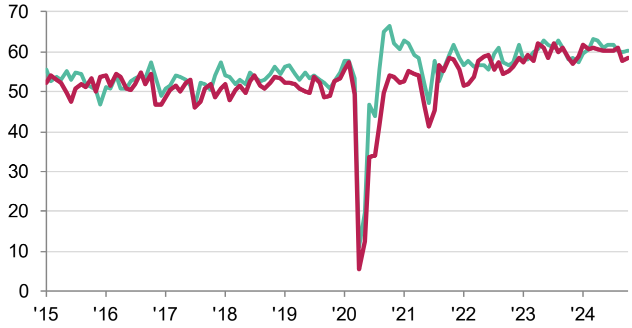
New business inflows also expanded at quicker rates in both the manufacturing and service sectors, boosting growth of sales and employment at the composite level.

Goods producers recorded stronger rates of increase in new business and output than service providers in October, but the latter led when it came to job creation.

Concurrently, rates of input cost inflation were equal in the manufacturing industry and the service economy. Across the private sector, the latest rise was the fastest in three months. Likewise, the aggregate rate of charge inflation climbed to a three-month high in October.

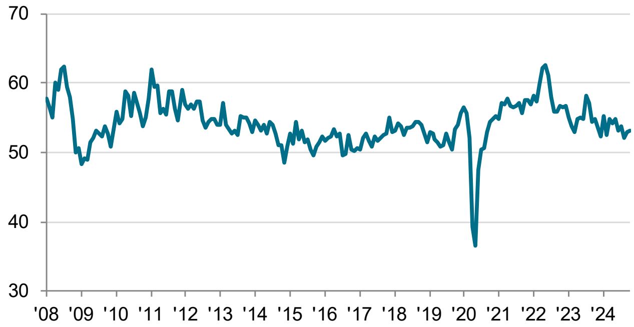
*Composite PMI indices are weighted averages of comparable manufacturing and services PMI indices. Weights reflect the relative size of the manufacturing and service sectors according to official GDP data.

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



Sources: HSBC, S&P Global PMI.

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



Sources: HSBC, S&P Global PMI.

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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.

About HSBC

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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. www.spglobal.com/marketintelligence/en/mi/products/pmi

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