News Release

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HSBC India Services PMI®

Growth of Indian services exports hits series peak in March

Key findings

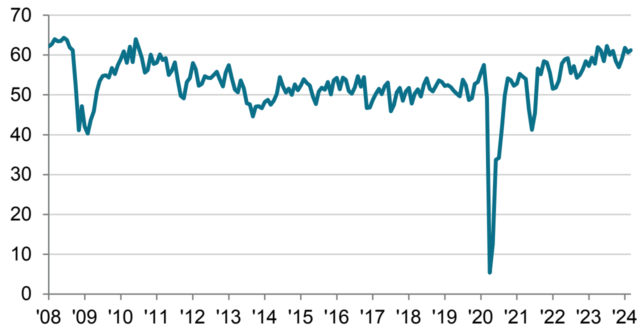
Total sales receive considerable boost from exports

Business activity rises to one of strongest rates since mid-2010

Charge inflation nears seven-year high

HSBC India Services PMI Business Activity Index

sa, >50 = growth since previous month



Sources: HSBC, S&P Global PMI.

Data were collected 11-26 March 2024.

Buoyant demand for Indian services created a cascade of positivity for the sector at the end of the current fiscal year. March saw one of the strongest expansions in total sales and business activity in close to 14 years, helped by a series record upturn in new export orders. The HSBC PMI®, compiled by S&P Global, also highlighted increased pressure on the capacity of service providers, which in turn supported the joint-fastest rise in employment since November 2022.

The downside to the uptick in growth momentum was an intensification of price pressures, with both input costs and output charges increasing at faster rates.

Rising from 60.6 in February to 61.2 in March, the seasonally adjusted HSBC India Services Business Activity Index pointed to one of the strongest growth rates seen in over 13-and-a-half years. The upturn was largely attributed to healthy demand conditions, efficiency gains and positive sales developments.

Indeed, companies signalled a substantial improvement in new order intakes during March. The rate of growth was one of the best seen since June 2010.

March data showed better demand for Indian services from domestic and international sources. New export business rose at the fastest rate since the series started in September 2014. Survey participants reported gains from Africa, Asia, Australia, Europe, the Americas and the Middle East.

There were quicker increases in output and sales across each of the four broad areas of the service economy monitored by the survey. Finance & Insurance topped the growth rankings in both cases.

Amid reports of higher labour and material costs, there was a further increase in overall expenses at services firms. The rate of input price inflation was marked, faster than that seen in February and above its long-run average.

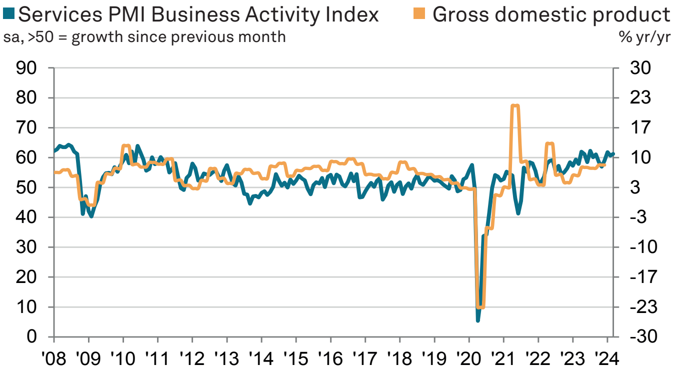
Comment

Ines Lam, Economist at HSBC, said:

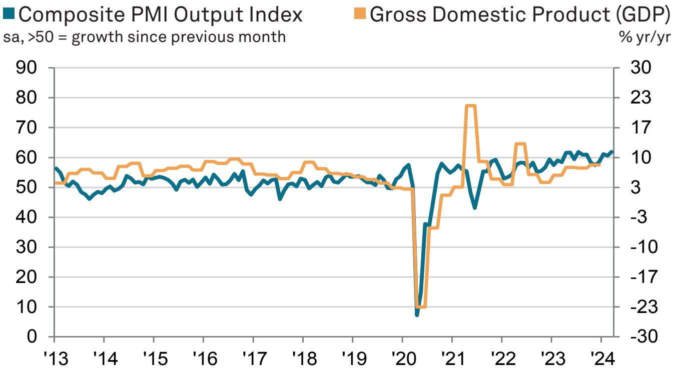
"India's services PMI rose in March, following a small dip in February, on the back of strong demand that spurred sales and business activity. Service providers increased hiring at the fastest pace since August 2023 in order to expand production capacity. Input costs rose at a faster rate, yet service providers were able to broadly maintain margins by charging higher output prices."

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.

The combination of rising cost pressures and demand strength encouraged companies to lift their selling prices in March. The rate of charge inflation climbed to its highest mark since July 2017.

Three of the four broad areas of the service economy recorded stronger increases in input costs and output charges, the sole exception being Real Estate & Business Services. The highest rate of input cost inflation was seen in Consumer Services, while Finance & Insurance topped the rankings for selling prices.

Services companies indicated that the substantial upturn in new business volumes added pressure on their capacities. Pending workloads rose for the twenty-seventh month running, and to the greatest extent since the start of 2023.

In response, service providers recruited additional staff in March. The latest increase in employment was the twenty-second in as many months, and the joint-strongest since November 2022.

Business sentiment remained strongly positive, but slipped to a four-month low. On the plus side, firms expect demand trends to remain favourable, with marketing efforts also seen as a growth opportunity. There were, however, some concerns surrounding competitive pressures.

HSBC India Composite PMI®

Private sector output growth second-fastest in nearly 14 years

March data pointed to a sharp increase in aggregate output across India, as both goods producers and service providers noted a pick-up in growth. The HSBC India Composite PMI® Output Index* rose from 60.6 in February to 61.8 in March, highlighting the second-strongest upturn in over 13-and-a-half years (behind July 2023).

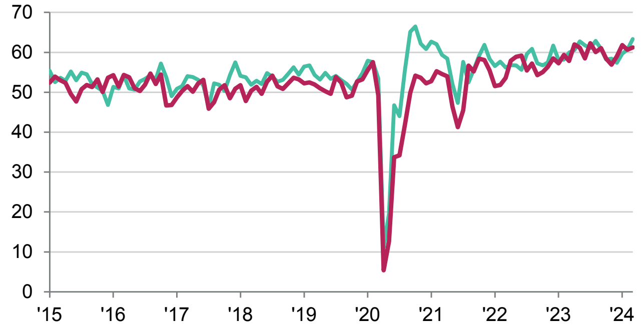
As was the case for output, manufacturers posted a quicker increase in sales than service providers, despite growth also accelerating among the latter. At the composite level, new business intakes expanded to the greatest extent since mid-2010, matched only by July 2023's level.

Demand strength in India exacerbated price pressures. Input costs across the private sector rose markedly, and at a stronger rate than in February. Services firms continued to see a sharper increase in expenses than their manufacturing counterparts.

Selling price inflation quickened to a five-month high and outpaced its long-run average, solely due to a notable acceleration in the service economy as factory gate charges rose to a lesser extent.

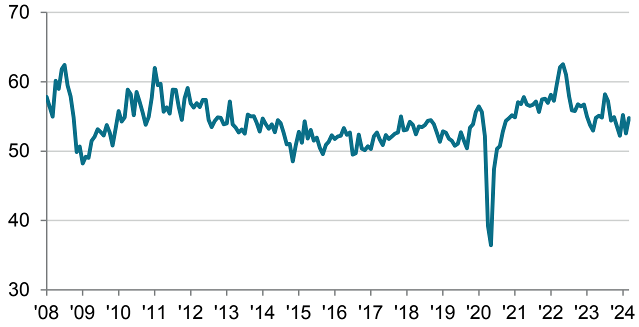
*Composite PMI indices are weighted averages of comparable manufacturing and services PMI indices. Weights reflect the relative size of the manufacturing and service sectors according to official GDP data.

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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