

News Release

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HSBC India Services PMI®

Total sales growth softens as export gains diminish

Key findings

Firms report weakest rise in international orders in nine months

Output increases sharply, but at slowest rate since November

Business optimism strengthens

The key measures of sector performance tracked by the HSBC India Services PMI® survey, compiled by S&P Global, continued to point to historically strong rates of expansion. Nevertheless, total new business, international sales and output all rose at the slowest rates since late-2023. Among the main positive outcomes seen in September were solid job creation, strengthening business confidence and the weakest uptick in selling prices in over two-and-a-half years.

As has now been the case for over three years, the seasonally adjusted HSBC India Services Business Activity Index was above the neutral mark of 50.0 in September. This indicated continuous monthly growth of output. Falling from 60.9 in August to 57.7, the headline figure signalled a softer albeit still historically-robust rate of expansion.

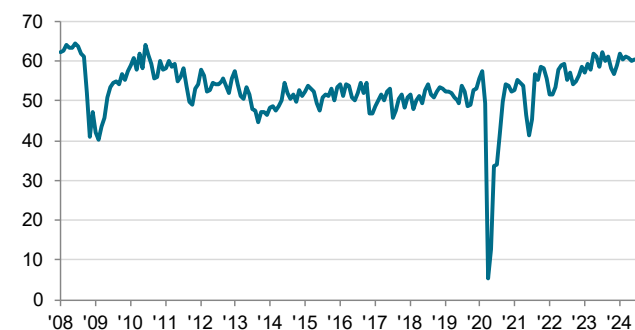
Several panellists attributed the increase in output to new business gains, positive demand trends and investment in technology. Growth was reportedly curbed by fierce competition, cost pressures and changes in consumer preference (i.e., switch to online services).

Similarly, new business intakes expanded sharply at the end of the second fiscal quarter, but the pace of growth retreated to a ten-month low. Where an increase was noted, survey participants remarked on healthy demand conditions. Those that experienced challenges commented on fresh entrants and greater competition.

Looking at more granular data, Finance & Insurance led widespread increases in both output and new orders at the sub-sector level.

One factor that constrained total sales growth was a softer increase in new export orders. The rate of expansion moderated to the weakest in 2024 so far. Still, some firms noted gains from Asia, Europe, North America, the Middle East and the US.

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



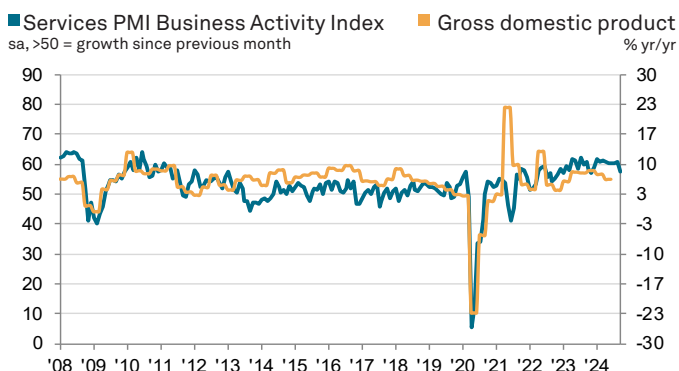
Sources: HSBC, S&P Global PMI.

Data were collected 9-26 September 2024.

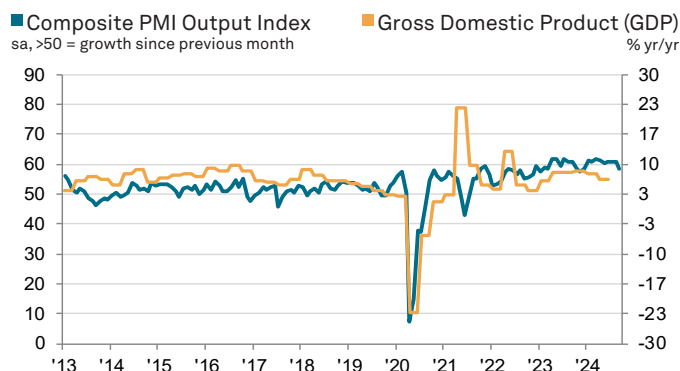
Comment

Pranjul Bhandari, Chief India Economist at HSBC, said:

"India's services PMI data showed that the services sector expanded at a slower pace in September. The headline Business Activity Index fell below 60 for the first time in 2024, but we note that at 57.7, it was still much above the long-term average. The new business index followed a similar trajectory as the headline figure, indicating the possibility of softer output growth in the coming months. Services companies' margins have likely been squeezed further, as prices charged rose at a slower pace when input cost inflation intensified. A long period of robust new business growth has led to strong labour demand."



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



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Largely reflecting expectations that demand conditions will remain favourable in the year ahead, businesses were more confident in the outlook for output. Moreover, the overall level of positive sentiment rose from August. In some cases, optimism was supported by projects pending approval and efficiency gains.

The solid increase in services employment seen since May was extended to September. Service providers reported the recruitment of full- and part-time workers, with both permanent and temporary contracts being offered.

Fierce competition somewhat restricted charge inflation across India's service economy in September. Output prices still rose, but did so to the smallest degree in over two-and-a-half years.

This was in spite of a quicker increase in overall business expenses. According to panel members, outlays on electricity bills, food and other materials rose from August. That said, the overall rate of inflation remained below its long-run average.

Cost pressures were more pronounced in the Consumer Services segment, but it was in Finance & Insurance that the fastest rise in selling prices was recorded.

September data showed a general absence of capacity pressure at service providers in India. This was signalled by the seasonally adjusted Outstanding Business Index registering broadly in line with the no-change mark of 50.0.

HSBC India Composite PMI®

Private sector growth recedes to ten-month low

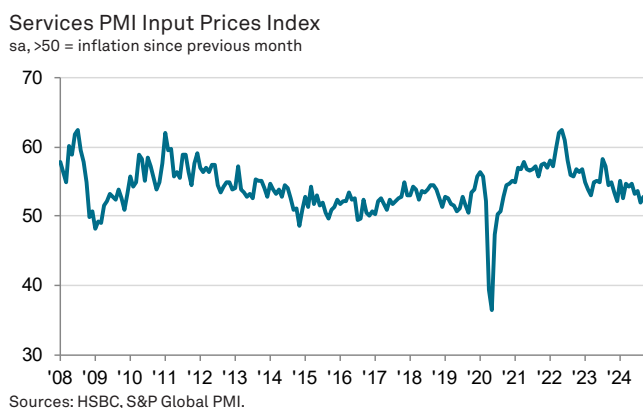
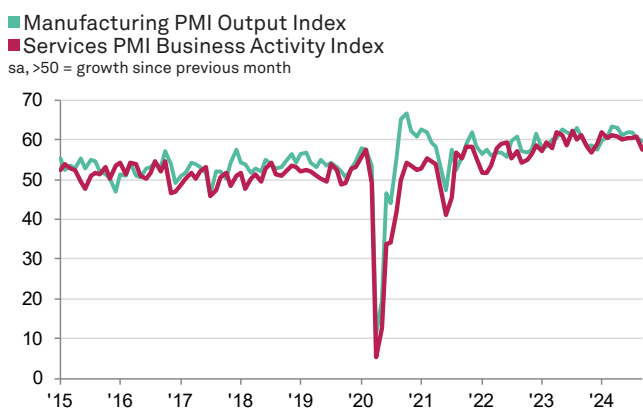
Although aggregate output in India continued to expand substantially in September, the rate of increase softened to the slowest since November 2023. This was signalled by a fall in the HSBC India Composite Output Index* from 60.7 in August to 58.3. Both factory production and services activity rose at slower rates.

Behind the slowdown in growth of private sector output was a softer, albeit still robust, expansion in new business. The rate of increase eased to a ten-month low. Notably, international sales growth receded to its weakest in 2024 so far and was considerably below that seen for total new work.

Despite the aforementioned loss of growth momentum, private sector employment rose markedly and business confidence strengthened since August.

With regards to prices, the latest results showed a quicker increase in aggregate input costs, parallel to a softer uptick in prices charged for the provision of Indian 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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