

News Release

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S&P Global India Services PMI[®]

PMI results show faltering output growth and broadly stable rate of input cost inflation

Key findings

Services activity and sales rise at slowest rate in six months

Rate of input cost inflation little-changed from August

Business confidence rebounds further

The Indian service sector ended the second fiscal quarter on a weaker footing, but economic growth was sustained. Both new business inflows and output rose at the slowest rates since March, amid inflationary pressures and competitive conditions, which in turn dampened job creation.

There was little movement in the rate of input cost inflation from August's 11-month low, while selling prices increased at the weakest pace since March. The data also highlighted a continued revival in business confidence, with sentiment at its highest level in over seven-and-a-half years.

Posting 54.3 in September, the seasonally adjusted S&P Global India Services PMI[®] Business Activity Index signalled growth for the fourteenth consecutive month. That said, falling from 57.2 in August, the latest reading highlighted the weakest rate of expansion since March. Companies linked higher output to greater bookings, events and client bases. The upturn was reportedly restricted by price pressures, an increasingly competitive environment and unfavourable public policies.

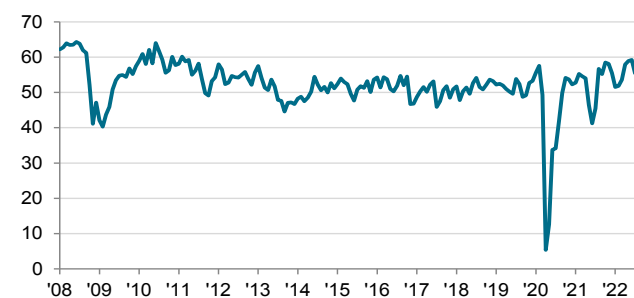
New orders displayed a similar pattern to business activity, rising for the fourteenth month in a row but at the slowest pace since March.

Softer increases in output and new business were seen in each of the four broad areas of the service economy. In both cases, the fastest expansions were seen in Consumer Services and the slowest in Transport, Information & Communication.

Weak external demand weighed on overall sales, with international orders declining further in September. Monthly contractions have been recorded in each month since the onset of COVID-19.

Service providers signalled a further increase in their operating expenses during September, owing to higher energy, food, labour and material costs. The overall rate of

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



Source: S&P Global.
Data were collected 12-28 September 2022.

Comment

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

"The Indian service sector has overcome many adversities in recent months, with the latest PMI data continuing to show a strong performance despite some loss of growth momentum in September."

"There were further increases in new business and output, while companies continued to take on extra workers to accommodate for rising demand. September also saw a broad stabilisation of input cost inflation and the slowest upturn in prices charged for the provision of services since March."

"However, the steep depreciation of the rupee seen towards the end of the month due to interest rate hikes in the US present additional challenges to the Indian economy. Currency instability poses renewed inflation worries as imported items become more costly, and undoubtedly means that the RBI will continue hiking interest rates to protect the rupee and contain price pressures."

"An upturn in inflation could damage consumer spending, dampen business confidence and test the resilience of the Indian service sector in the coming months but, at least for September, service providers were strongly upbeat towards growth prospects."

PMI[®]

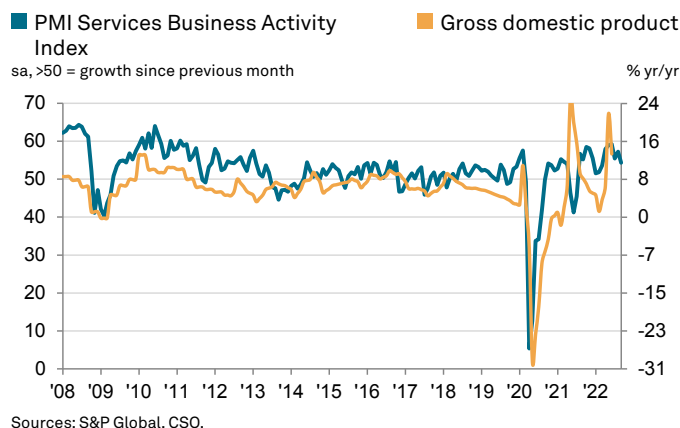
by S&P Global

inflation was little-changed from August. Consumer Services led a broad-based upturn in cost burdens across the four monitored sectors.

Although selling prices once again rose at an above-trend pace, the overall rate of inflation slipped to a six-month low. Where hikes were reported, panellists mentioned the pass-through of greater expenses to clients and resilient demand. Here, Transport, Information & Communication posted the sharpest upturn.

Capacity pressures moderated in September, with services companies signalling the slowest increase in backlogs since February. Nevertheless, efforts to clear pending workloads and ongoing expansions in sales supported another round of job creation. Employment rose at a slower rate than in August, however.

Marketing efforts and forecasts of sales growth boosted business confidence in September. Services firms were at their most upbeat towards the outlook in over seven-and-a-half years.



S&P Global India Composite PMI®

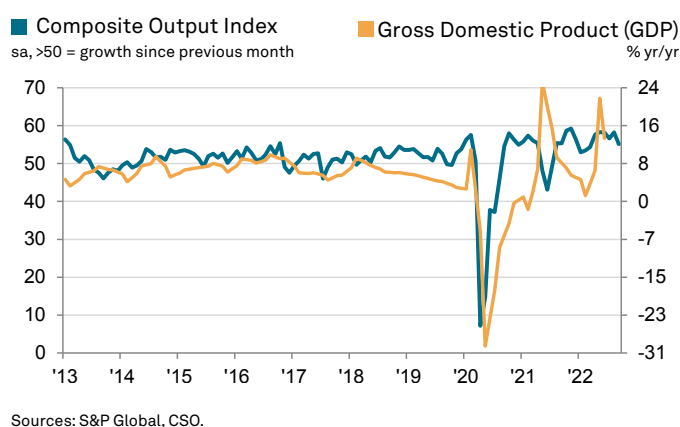
Renewed slowdown in growth of private sector output

September data highlighted a loss of momentum in growth of private sector output, following an acceleration in August. The S&P Global India Composite PMI Output Index* slipped from 58.2 to 55.1, pointing to the weakest rate of expansion since March but one that was above its long-run average. Manufacturers recorded a stronger upturn than service provides, though growth softened in both cases.

Private sector sales rose at the weakest pace in six months, amid softer increases in the manufacturing and services economies. The most sizeable slowdown was seen in the latter.

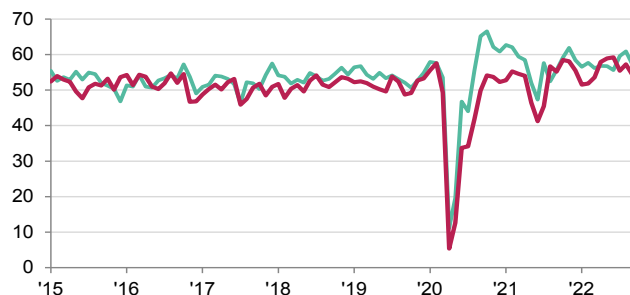
The aggregate rate of input cost inflation eased to a 22-month low in September due to broad-based slowdowns in manufacturing and services. The latter posted the sharper rise.

Similarly, slower rates of output charge inflation were signalled by manufacturing firms and their services counterparts. At the composite level, the latest rise in selling prices was the weakest in six months.



*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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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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