

News Release

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S&P Global India Services PMI[®]

Growth of services activity hits 12-year high in February

Key findings

New business rises at joint-fastest pace in 12 years...

...boosting output growth

Input cost inflation eases to 29-month low

The Indian service sector moved one step forward in February, with output expanding at the strongest rate in 12 years amid the joint-best improvement in new business intakes over the same period. Still, capacity pressures remained mild and jobs rose only marginally. Helped by a substantial moderation in cost pressures — input prices increased at the slowest pace in nearly two-and-a-half years — output charge inflation softened to a 12-month low.

At 59.4 in February (January: 57.2), the seasonally adjusted S&P Global India Services PMI[®] Business Activity Index was at its highest level in 12 years and indicated a sharp expansion in output. Where growth was reported, survey participants mentioned favourable demand conditions and new business gains.

New orders placed with service providers rose further in February, with several firms suggesting that competitive pricing boosted sales. The latest upturn in sales was the nineteenth in consecutive months and the joint-strongest in 12 years.

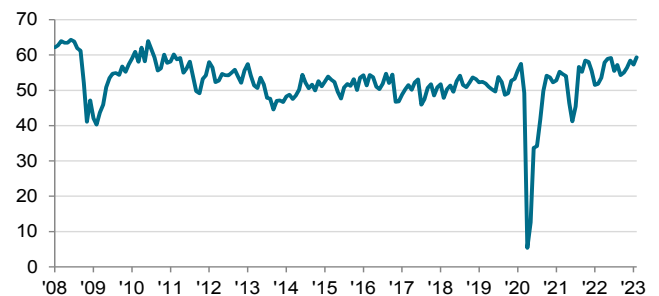
Consumer Services was the best-performing area in February, registering the fastest increases in new orders and business activity of the four monitored sub-sectors.

Although Indian service providers signalled a further increase in their expenses midway through the final fiscal quarter, the rate of input price inflation moderated to a 29-month low. Companies commonly cited higher food, material, transportation and wage costs.

Only 4% of services companies transferred cost increases to their clients, while the vast majority opted to leave selling prices unchanged. Subsequently, the overall rate of charge inflation eased to a 12-month low.

February data highlighted slower increases in input costs and selling prices across the four broad areas of the service economy. While Consumer Services topped the rankings for

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



Source: S&P Global.
Data were collected 10-24 February 2023.

Comment

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

"The service sector more than regained the growth momentum lost in January, posting the sharpest expansion in output for 12 years as demand resilience and competitive pricing policies underpinned the joint-best upturn in sales over the same period.

"Services companies were often able to leave their average fees unchanged amid retreating cost pressures. The latest PMI results showed the slowest increases in input prices and selling charges in 29 and 12 months respectively, with rates of inflation below their long-run averages in both cases.

"Despite the strong upturn in new business intakes, service providers noted only mild pressure on their capacities and, as a result, a large proportion of firms left payroll numbers unchanged.

"It seems that hiring growth was also dampened by a lack of confidence in the business environment. The degree of optimism recorded in February was the lowest for seven months and below the historical trend as some companies doubted demand would remain this resilient. Others displayed concerns surrounding fierce competition for new work."

PMI[®]

by S&P Global

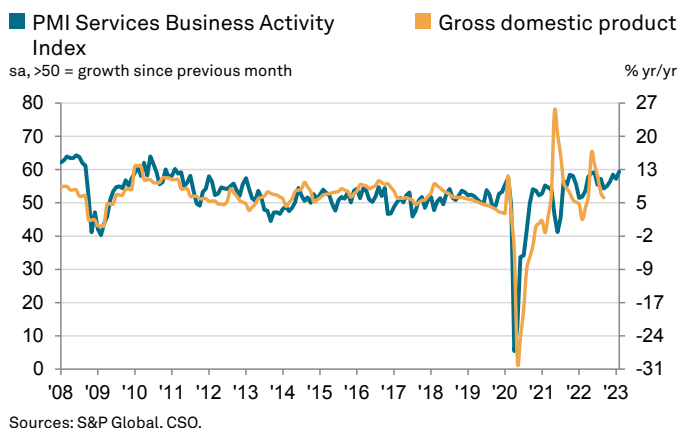
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input costs, the sharpest rise in output charges was seen in Transport, Information & Communication.

Employment increased further in February, stretching the current sequence of expansion to nine months. That said, the rate of job creation was only marginal as the vast majority of survey participants reported no change in staff levels from January. Among them, there were mentions that capacities were broadly adequate for current requirements.

Although outstanding business continued to increase, the pace of accumulation softened from January and was only slight. Some companies linked higher backlogs to strong inflows of new business while others mentioned having sufficient staff to stay on top of workloads.

Finally, the overall level of positive sentiment towards the year-ahead outlook for business activity was little-changed from January and remained below its long-run average. Marketing efforts and forecasts of demand resilience underpinned optimism, but some companies were concerned about competitive pressures and whether sales growth could be maintained.



S&P Global India Composite PMI®

Aggregate output expands sharply in February

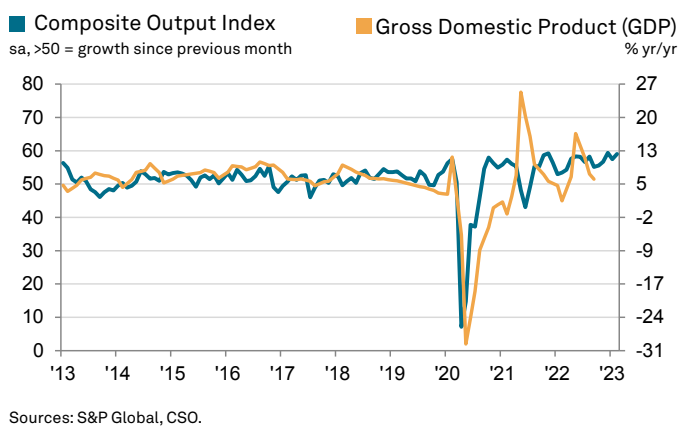
Private sector output in India increased for the nineteenth successive month in February. Rising from 57.5 in January to 59.0, the S&P Global India Composite PMI Output Index* highlighted a sharp and stronger rate of expansion. Growth was stronger in services than in manufacturing.

Services firms also recorded a faster upturn in new business than their manufacturing counterparts. At the composite level, sales expanded at the joint-quickest rate in 11 years.

Trends for input prices were mixed in February, with a stronger increase among goods producers contrasting with a slowdown in the service economy. Across the combined private sector, cost inflation eased to a 29-month low.

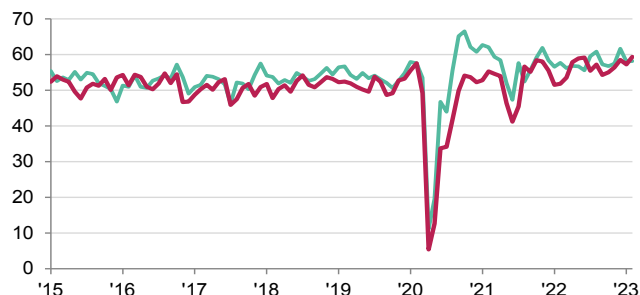
Prices charged for Indian goods and services increased at the slowest rate in 12 months during February, with weaker rates of inflation noticed in both the manufacturing and service categories.

Finally, private sector jobs rose only marginally in February, with rates of expansion broadly similar at manufacturers and service providers.



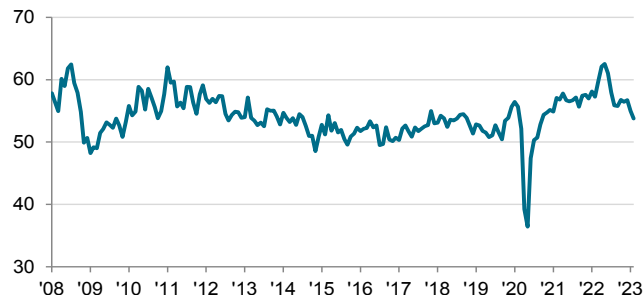
*Composite PMI indices are weighted averages of comparable manufacturing and services PMI indices. Weights reflect the relative size of the manufacturing and service sectors according to official GDP data.

■ 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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