

News Release

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S&P Global India Services PMI[®]

Stronger expansion in new business boosts output growth

Key findings

Business activity and sales rise at faster rates

Input costs increase markedly

Charge inflation hits 64-month high

Indian services firms continued to benefit from accommodative demand conditions in November. New business inflows rose markedly and at the quickest pace in three months, supporting a sharp expansion in output and further job creation. There was another substantial increase in input costs, the second-fastest since July, which underpinned the strongest upturn in selling charges in just under five-and-a-half years.

Rising from 55.1 in October to 56.4 in November, the seasonally adjusted S&P Global India Services PMI[®] Business Activity Index indicated a sharp increase in output that was the quickest in three months. Survey participants linked the latest expansion to demand strength, successful marketing and a sustained upturn in sales.

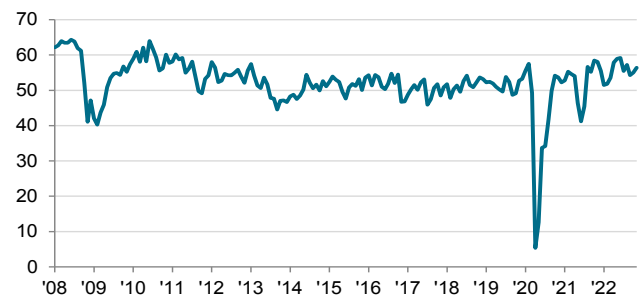
New orders placed with service providers in India rose for the sixteenth consecutive month in November. The rate of expansion was marked and the fastest since August. According to panellists, sales were boosted by favourable underlying demand and fruitful advertising.

The rise in total new orders was supported by a renewed increase in international sales. November data showed the first upturn in new business from abroad since the onset of COVID-19 in early-2020. That said, the overall rate of expansion was mild.

Services companies across India again reported higher operating expenses midway through the third fiscal quarter. In addition to greater transportation costs, firms mentioned higher prices for energy, food, packaging, paper, plastic and electrical products. Little-changed from October, the overall rate of inflation was marked and above its long-run average.

Prices charged for the provision of services in India continued to increase in November, as companies transferred part of their additional cost burdens on to consumers. The latest rise was the twenty-first in consecutive months and the strongest since July 2017.

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



Source: S&P Global.
Data were collected 11-28 November 2022.

Comment

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

"Indian service providers continued to reap the benefits of strong domestic demand, with PMI data for the penultimate month of 2022 showing faster increases in new business and output. Moreover, expectations of demand buoyancy in the medium-term promoted further job creation."

"Whilst on the whole the latest results are encouraging, the trend for inflation is somewhat concerning. Strong demand for services again boosted firms' pricing power, with more companies transferring cost increases to their customers. The overall upturn in input costs was sharp and little-changed from October, while output charges rose at the quickest rate in over five years."

"Evidence of stubborn inflation may prompt further hikes to the policy rate at a time when global economic challenges could negatively impact on India's growth."

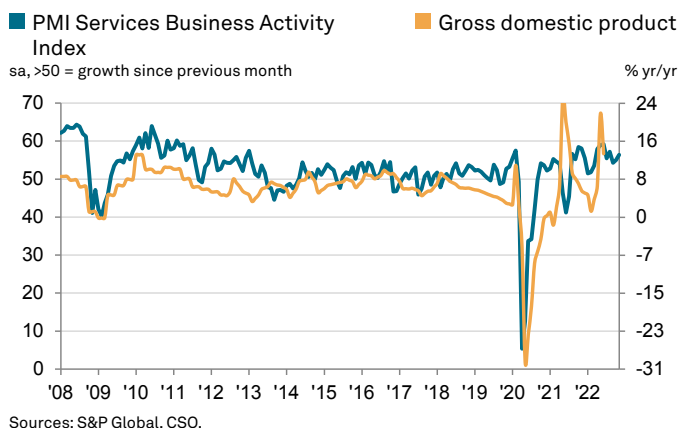
PMI[®]

by S&P Global

Sustained expansions in new work intakes and demand buoyancy continued to promote job creation in the service economy. Employment rose at a solid pace that was among the quickest in over three years.

Another factor that triggered job creation was an uptick in business confidence. Service providers were at their most upbeat towards the year-ahead outlook for output in just under eight years. Firms largely expect demand strength to be maintained in 2023, with some planning to lift marketing budgets to aid sales.

Whereas ongoing increases in new business exerted upward pressure on the capacity of services firms, job creation in recent months enabled slower backlogs growth. Outstanding business expanded only fractionally in November, and at the second-slowest pace in the current sequence of accumulation that started in January.



S&P Global India Composite PMI®

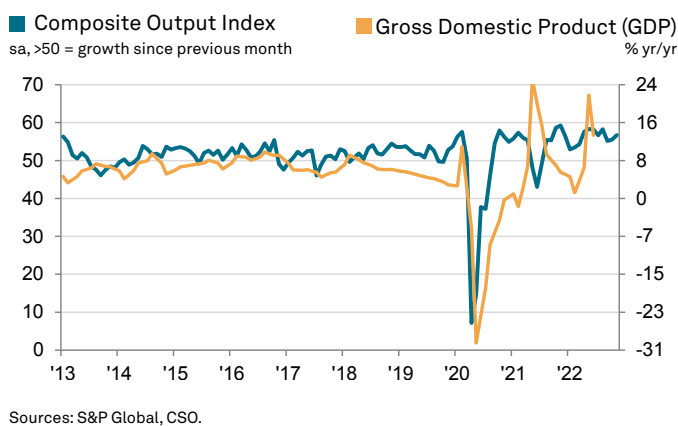
Indian aggregate sales and output rise at strongest rates in three months

Private sector activity in India increased for the sixteenth consecutive month in November, and at the fastest pace since August. This was signalled by the S&P Global India Composite PMI Output Index* rising from 55.5 in October to 56.7. Manufacturers led the upturn, although growth also quickened in the service economy.

Similarly, new orders expanded at faster rates in both the manufacturing and service sectors. At the composite level, sales rose for the sixteenth month running and at the strongest pace since August.

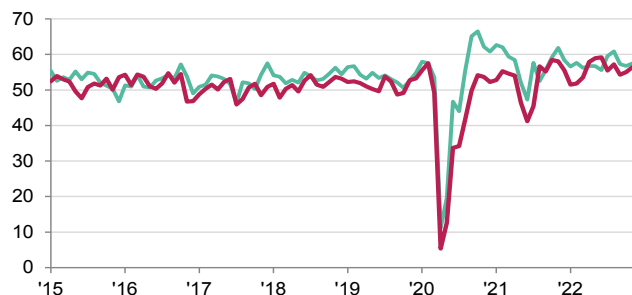
Services firms recorded a much stronger increase in input costs than their manufacturing counterparts, with inflation among the latter easing to a joint 28-month low. At the composite level, the latest rise was the weakest in two years.

Output prices across the private sector rose at the fastest pace in three months, as an acceleration in the service economy more than offset the slowdown seen among goods producers.



*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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