

News Release

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S&P Global India Services PMI[®]

New business and output rise at fastest pace since early-2011, charge inflation climbs to near five-year high

Key findings

Growth of business activity and output quickens

Output prices increase at fastest rate since July 2017

Inflation concerns dampen business confidence

June data pointed to further accelerations in growth of new business and output at Indian services companies amid ongoing improvements in demand conditions. Although firms expect the recovery to be sustained over the coming 12 months, concerns surrounding price pressures restricted business confidence. Input costs continued to rise at a historically elevated pace, although one that was the slowest in three months, while charge inflation hit a near five-year high.

Rising from 58.9 in May to 59.2 in June, the seasonally adjusted S&P Global India Services PMI[®] Business Activity Index was at its highest mark since April 2011 and signalled a steep rate of increase. Moreover, the acceleration in growth was broad-based across the four monitored sub-sectors. According to panellists, the upturn stemmed from ongoing improvements in demand following the retreat of pandemic restrictions, capacity expansion and a favourable economic environment.

Services firms noted a substantial upturn in new work intakes at the end of the first fiscal quarter, with the rate of increase improving to the best in over 11 years. Where growth was signalled, survey members commented on strengthening demand conditions, expanded client bases and fruitful marketing.

Firms were able to secure new orders despite charging more for their services. June data showed the fastest rise in selling prices since July 2017 as several companies sought to transfer part of their additional cost burdens to clients. Stronger increases in charges were seen across the four broad areas of the service economy, with the sharpest upturn recorded in Transport, Information & Communication.

Despite easing to a three-month low in June, the overall rate of input cost inflation remained elevated by historical standards as one-fifth of panellists signalled greater expenses and the remaining reported no change since May.

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



Source: S&P Global.
Data were collected 13-28 June 2022.

Comment

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

"Activity growth in India's service sector moved up a gear again in June, reaching its strongest in over 11 years and surpassing that seen in manufacturing for the third month running. Demand for services improved to the greatest extent since February 2011, supporting a robust economic expansion for the sector over the first quarter of fiscal year 2022/23 and setting the scene for another substantial upturn in output next month.

"Consumer Services posted the strongest increases in both output and new orders in June, but growth rates quickened across the board.

"Cost pressures in the service economy remained stubbornly high in June, despite easing to a three-month low. With companies retaining significant pricing power, owing to robust demand conditions, output charge inflation climbed to a near five-year peak.

"Unrelenting inflation somewhat concerned service providers, who were cautious in their forecasts. On average, business activity is expected to increase over the course of the coming 12 months, but the overall level of sentiment remained historically low."

PMI[®]

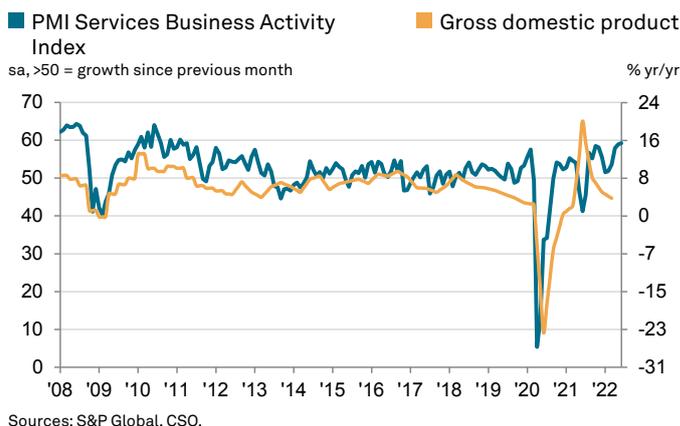
by S&P Global

Where a rise was reported, panellists blamed this on higher chemical, food, petrol, retail and staff costs.

Unrelenting inflation continued to concern businesses, who were cautiously optimistic about the year-ahead outlook for business activity. The overall level of sentiment was well below its long-run average as only 9% of companies forecast output growth.

Elsewhere, the latest data indicated that service providers' capacities were tested as new business growth gathered momentum. Outstanding business rose for the sixth straight month and at the fastest pace since February 2021.

Some companies responded to capacity pressures by hiring additional staff in June, but the vast majority (94%) left payroll numbers unchanged. Overall, services employment rose marginally, following a decline in May.



S&P Global India Composite PMI®

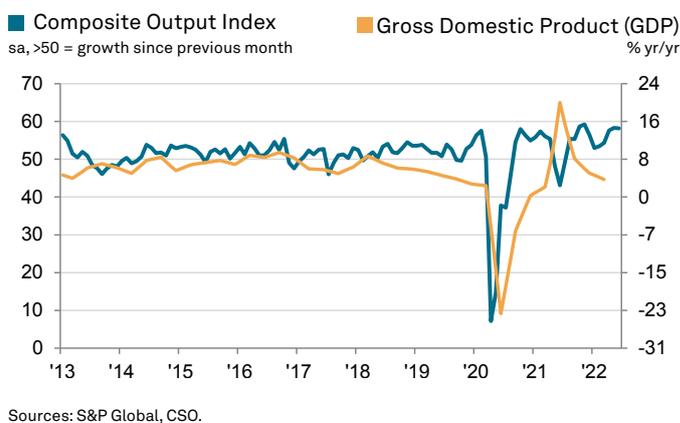
Private sector sustains marked growth of output in June

Growth of Indian private sector output steadied in June, as a faster increase in services activity offset a slower rise in factory production. The S&P Global India Composite PMI Output Index* was at 58.2, little-changed from 58.3 in May and indicative of a marked rate of expansion.

Aggregate new orders also increased at a marked pace that was broadly similar to May. Service providers signalled a stronger expansion than manufacturers, as growth among the former picked up to the quickest in over 11 years.

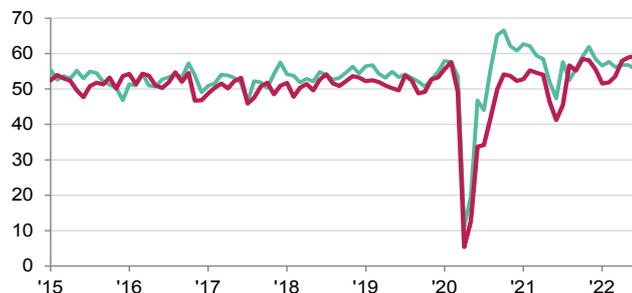
Private sector jobs rose in June, following a fractional decline in the previous month. Slight increases in employment were recorded in both the manufacturing and service sectors.

With services firms and their manufacturing counterparts signalling slower increases in input prices, the aggregate rate of cost inflation eased to a three-month low. However, the upturn was among the strongest in the survey history. As for selling prices, a faster increase at services firms contrasted with a slower rise at goods producers. Charge inflation at the composite level was broadly unchanged from May.



*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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