

# News Release

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## S&P Global India Services PMI<sup>®</sup>

### May PMI data indicate strong growth and rising inflationary pressures in service economy

#### Key findings

Output increases at second-fastest pace in close to 13 years

Slower, but historically strong, expansion in new business

Charge inflation joint-highest since July 2017

May's PMI<sup>®</sup> results for India portrayed a robust economic performance for the sector, marked by several indicators. Firstly, output rose at the second-quickest pace since July 2010, supported by sustained growth of new business in the face of positive demand trends. Additionally, monitored companies expanded their workforces to accommodate for higher intakes of new work. However, the service economy also endured an intensification of inflationary pressures as evidenced by stronger increases in both input costs and output charges.

Posting 61.2 in May, the seasonally adjusted S&P Global India Services PMI<sup>®</sup> Business Activity Index highlighted a further expansion in output across the sector. Despite falling from 62.0 in April, the latest reading indicated the second-strongest rate of growth in just under 13 years. Favourable demand conditions, new client wins and positive market dynamics reportedly supported output.

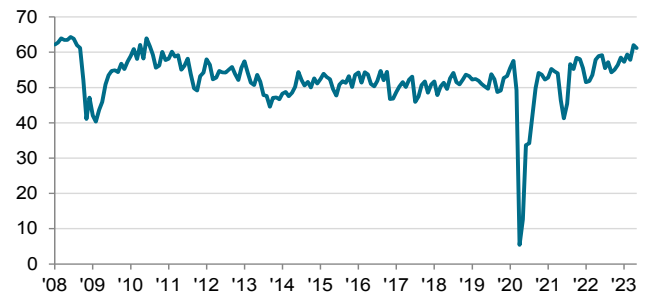
Demand strength underpinned another monthly increase in new business at service providers. The rate of expansion softened from April's near 13-year high, but was among the strongest over this period.

External demand for Indian services continued to improve in May, highlighted by a fourth successive rise in new export business. Moreover, the pace of expansion was solid and the quickest in the calendar year-to-date.

To accommodate for sustained increases in new business, services companies sought to expand operating capacities by hiring extra workers. Employment rose at a slight rate that was nonetheless the fastest in 2023 so far.

Despite the upturn in employment, and in line with robust improvements in new work, outstanding business rose further midway through the first fiscal quarter. That said, the rate of backlog accumulation was marginal and equal to April.

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



Source: S&P Global.  
Data were collected 12-26 May 2023.

#### Comment

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

*"The PMI data for May stand as a compelling testament to prevailing demand resilience, impressive output growth and job creation within India's dynamic service sector.*

*"However, inflationary pressures continued to pose a challenge for service providers, with panellists noting rising costs for food, inputs, labour and transportation. Faced with the delicate task of balancing these increases and maintaining affordable prices for consumers, firms opted to lift selling prices again in May. Worryingly, the survey showed the joint-fastest upturn in output charges for nearly six years.*

*"While ongoing increases in output charges could erode purchasing power, affect the affordability of services and potentially dampen economic growth, companies could be seeking operational efficiencies and exploring alternative sourcing options to navigate through these challenges.*

*"With policymakers closely monitoring inflation developments, long-awaited cuts to interest rates — which could aid business strategies, budgeting and investment plans — appear more distant."*

PMI<sup>®</sup>

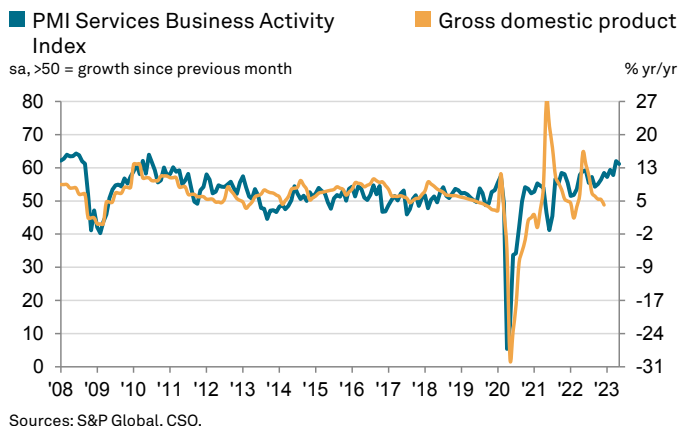
by S&P Global

Indian service providers reported higher food, input, transportation and wage costs in May. Overall input prices rose at a marked rate that was the fastest since last December and above its long-run average.

Amid reports of rising cost burdens, firms charged more for their services in May. Having quickened to the joint-strongest in close to six years, the rate of charge inflation was solid.

Sub-sector splits showed the quickest increase in input costs at Consumer Services companies, while Transport, Information & Communication topped the rankings for charge inflation.

Services companies maintained an upbeat view that business activity would increase over the coming 12 months. Advertising, demand strength and favourable market conditions were among the reasons cited for optimistic forecasts. The overall level of confidence fell slightly from April, however, amid some concerns around competitive pressures.



## S&P Global India Composite PMI®

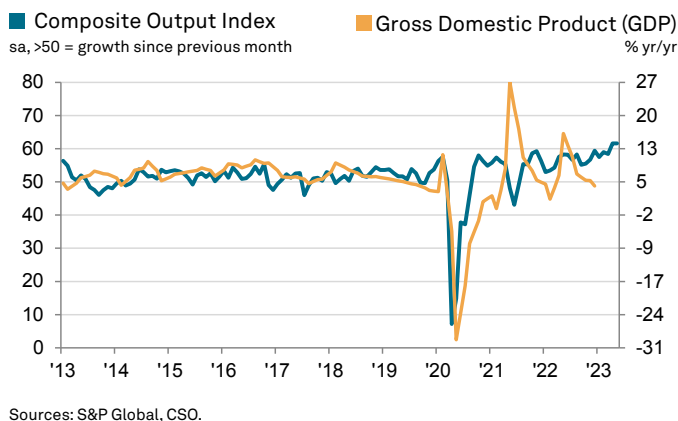
### Activity growth holds at joint-highest in close to 13 years

India's private sector built on the strong momentum recorded in April by posting a rate of expansion in business activity that was the joint-best in just under 13 years. At 61.6 in May, unchanged from April, the S&P Global India Composite PMI Output Index\* reflected a sharper increase in manufacturing production and a slower (albeit substantial) upturn in services activity.

Growth of aggregate new business softened from April, but was nevertheless the second-fastest in over 11 years. A quicker increase in factory orders compared with a slower but still sharp expansion in demand for services.

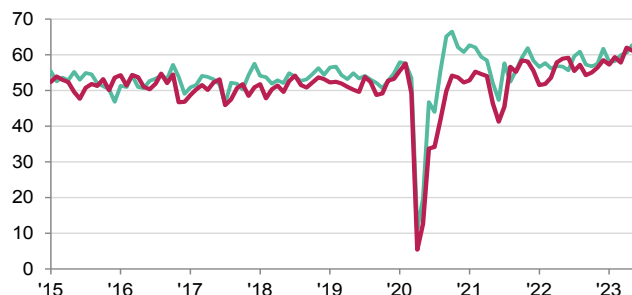
The healthy demand environment contributed to job creation at goods producers and service providers. At the composite level, employment rose at the quickest pace in 2023 so far.

Input costs across the private sector economy rose at a broadly-similar pace to April as a slower increase among manufacturers offset a pick-up in inflation at services firms. Prices charged for goods and services rose at the strongest rate since April 2022, with price pressures intensifying in a broad-based fashion.



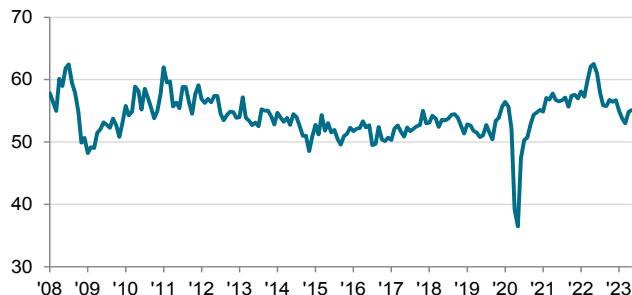
\*Composite PMI indices are weighted averages of comparable manufacturing and services PMI indices. Weights reflect the relative size of the manufacturing and service sectors according to official GDP data.

■ 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](mailto: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](https://ihsmarkit.com/products/pmi.html).

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