

# News Release

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## HSBC India Services PMI®

### Indian services activity expands at slowest pace in over two years

#### Key findings

January sees softer increases in sales and output

Jobs growth ticks higher and business sentiment remains positive

Cost inflation little-changed since December

After ending 2024 on a strong footing, service providers in India recorded a loss of growth momentum in January. New business intakes rose at the slowest pace since November 2023, curbing the upturn in business activity. Nevertheless, rates of expansion remained historically high and more jobs were created. Also, the degree of business sentiment was in line with its trend.

As for prices, cost burdens increased to broadly the same extent as in December, with firms largely reporting greater payroll expenses. Meanwhile, charge inflation ticked higher.

At 56.5 in January, the seasonally adjusted HSBC India Services PMI® Business Activity Index – based on a single question asking how the level of business activity compares with the situation the month before – indicated a sharp rate of expansion. However, the headline figure was down from 59.3 in December to its lowest level since November 2022.

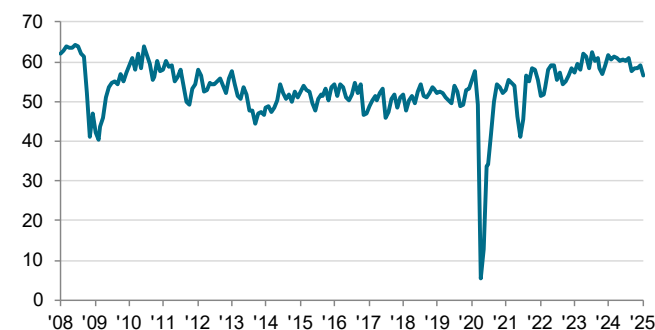
Several companies linked output growth to favourable demand conditions, new business wins and investment in technology. However, a few firms suggested that activity levels at their units were constrained by a fall in customer numbers.

Overall new business continued to increase strongly, but the rate of expansion softened to the weakest in 14 months. The rise was attributed to strong demand and decisions to offer better prices than rivals. Growth was reportedly curbed by intense competition.

In contrast to the trend for total new orders, there was a quicker increase in international sales. Survey participants noted gains from clients in Asia, Europe, the Middle East and the Americas. The overall rate of expansion hit a five-month high.

Ongoing improvements in new business intakes and rising capacity pressures prompted service providers to recruit

HSBC India Services PMI Business Activity Index  
sa, >50 = growth since previous month



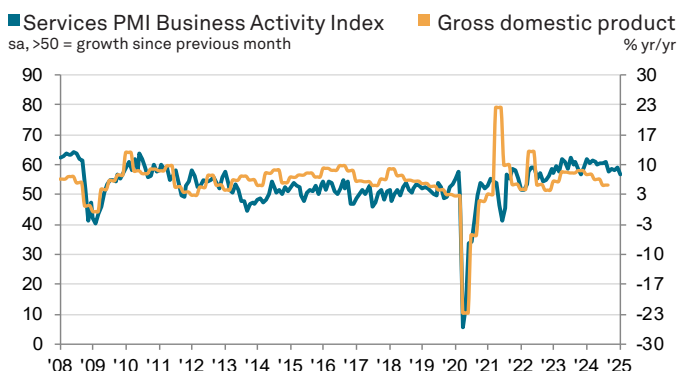
Sources: HSBC, S&P Global PMI.

Data were collected 8-29 January 2025.

#### Comment

Pranjul Bhandari, Chief India Economist at HSBC, said:

"India's services sector lost growth momentum in January, although the PMI remained well above the 50-breakeven level. The business activity and new business PMI indices eased to their lowest levels since November 2022 and November 2023 respectively. That said, new export business partly countered the downtrend and continued to rebound from a dip in late-2024, in line with official data which showed India's services exports shinning in December and capturing a larger share of global trade."



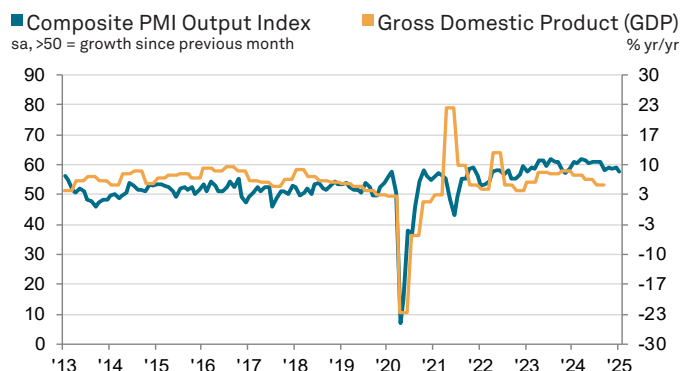
additional staff at the start of the last fiscal quarter. According to them, full- and part-time positions had been filled. The rate of job creation accelerated from December and was among the fastest seen since data collection started in December 2005.

Not only did outstanding business volumes rise for the thirty-seventh straight month in January, but also to the greatest extent since last May. The solid increase was often associated with positive client demand.

Service providers in India were confident of a rise in business activity over the course of the coming 12 months. Qualitative data showed that advertising, efforts to price competitively and new client enquiries were some of the reasons listed for upbeat forecasts. The level of positive sentiment did fall to a three-month low, but was broadly aligned with the series trend.

Largely due to rising staff costs, but also greater food prices, services companies noted another uptick in their expenses. The rate of inflation was little-changed from that seen around the turn of the year, therefore remaining above its long-run average.

As a result of rising cost burdens and demand resilience, prices charged for the provision of Indian services increased further at the start of 2025. Having accelerated from December, the rate of charge inflation was marked and above its trend.



## HSBC India Composite PMI®

### Weakest expansion in private sector output since November 2023

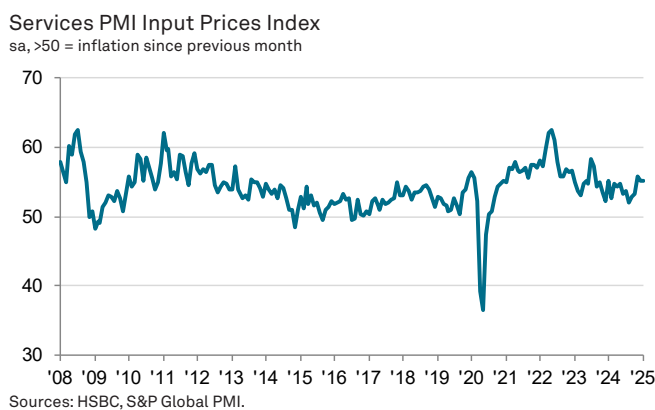
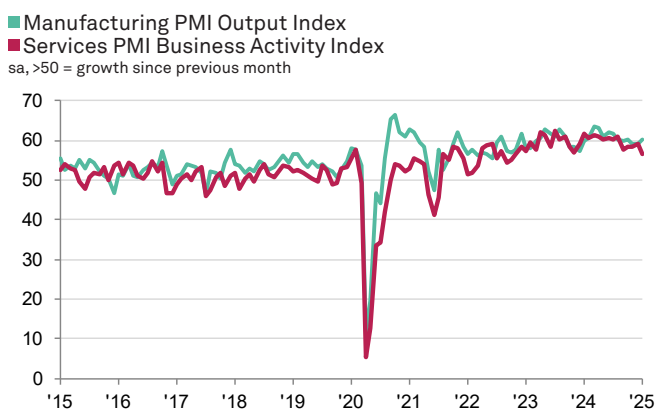
India's private sector economy lost some growth momentum in January, as a quicker increase in factory production was more than offset by a softer expansion in services activity. The HSBC India Composite Output Index\* fell from 59.2 in December to a 14-month low of 57.7. The latest figure nevertheless remained above the long-run series average and was therefore consistent with a robust upturn.

Aggregate sales increased at the slowest pace since last September, albeit one that was sharp. A pick-up in growth of factory orders contrasted with the weakest rise in services sales since November 2023.

For the third straight month, services companies noted stronger cost pressures than goods producers. Across the private sector, the latest rise in input prices was the least pronounced since October 2024 and below its long-run average.

As for selling charges, the overall rate of inflation was broadly similar to December as a slowdown at goods producers offset an intensification at 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.



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## Survey methodology

The HSBC 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@spglobal.com](mailto:economics@spglobal.com).

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