

# News Release

Embargoed until 1030 IST (0500 UTC) 5 March 2024

## HSBC India Services PMI®

### Business activity growth eases in February, though remains historically strong

#### Key findings

Softer expansions in business activity, sales and jobs

Second-slowest rise in input costs for 42 months

Charge inflation retreats to two-year low

India's service sector continued to grow during February as positive demand trends supported sales and business activity. Growth rates slowed since January, though remained historically substantial. The latest HSBC PMI® also showed the second-weakest cost pressures in the sector since August 2020 and the softest increase in selling charges for two years.

Companies created jobs on the back of rising workloads, but the easing of capacity pressures and lower confidence towards the outlook dampened employment growth.

The seasonally adjusted HSBC India Services Business Activity Index registered 60.6 in February, down from 61.8 in January. Despite having slipped, the headline index was comfortably above the neutral mark of 50.0 and signalled a sharp rate of expansion that was well above the series history (since December 2005).

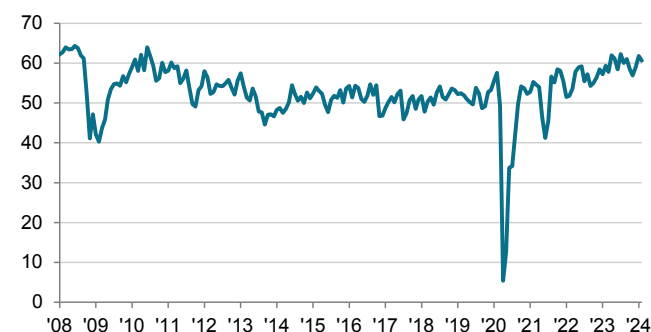
Granular data showed that business activity increased across all parts of the service sector. Finance & Insurance saw the strongest pace of growth by a considerable margin, with the slowest rise registered in Real Estate & Business Services.

February data highlighted a notable upturn in demand across the service sector, with inflows of new business expanding for the thirty-first month running. That said, like for output, the rate growth softened from January's recent high whilst remaining well above its long-run average.

New business from abroad placed with services firms in India rose for the thirteenth successive month. Survey participants reported gains from Australia, Asia, Europe, the Americas and UAE. Collectively, international sales expanded at a solid rate that was among the best in the nine-and-a-half-year series history.

Operating expenses rose further, but did so at the second-weakest rate since August 2020. Higher food, freight and

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



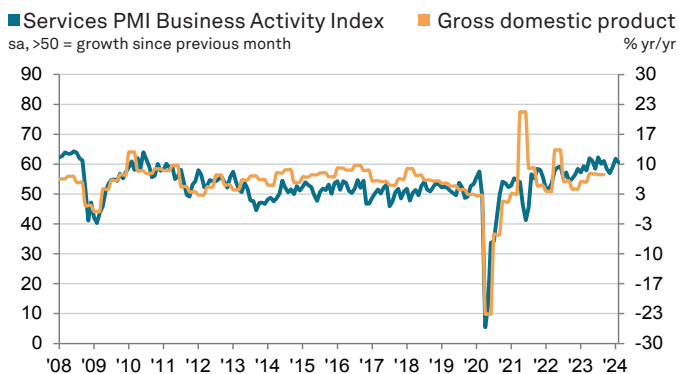
Sources: HSBC, S&P Global PMI.

Data were collected 09-27 February 2024.

#### Comment

*Ines Lam, Economist at HSBC, said:*

*“India’s services PMI suggests that the pace of expansion in the services sector eased in February from January. Due to a slowdown in growth in new orders and output, services companies’ outlook for future business activity, while remaining strongly positive, weakened slightly. Prices charged for services rose at the slowest rate in 24 months as input prices inflation moderated.”*



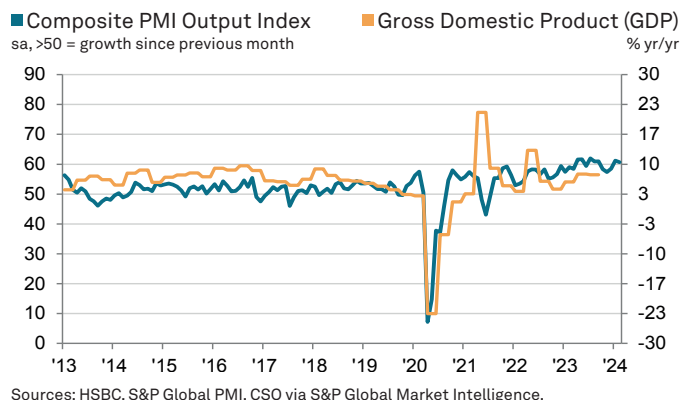
labour costs pushed up input prices, according to anecdotal evidence.

Indian companies operating in the service sector sought to protect their margins by raising prices charged to customers. That said, the rate of inflation was slight, below its long-run average and cooled to the weakest in two years.

Outstanding business volumes expanded for the twenty-sixth consecutive month halfway through the final fiscal quarter, highlighting sustained pressure on the capacity of service providers. That said, the latest increase was mild and the weakest in three months.

With backlogs rising more slowly, services companies tamed recruitment during February. The pace of hiring growth was fractional and the joint-slowest in the current 21-month sequence of job creation. Survey members mostly indicated that workforce numbers were sufficient for current requirements.

Business confidence regarding the year-ahead outlook for activity weakened in February. Still, around 26% of companies foresee growth and only 2% anticipate a fall. Where optimism was signalled, firms cited buoyant client appetite, greater publicity and an improvement in customer relations.



## HSBC India Composite PMI®

### Aggregate output rises at slower but still sharp rate

With both manufacturing production and services activity in India increasing during February, there was a further upturn in private sector output. The HSBC India Composite PMI® Output Index\* slipped from a six-month high of 61.2 in January to 60.6, indicating a softer but sharp rate of expansion.

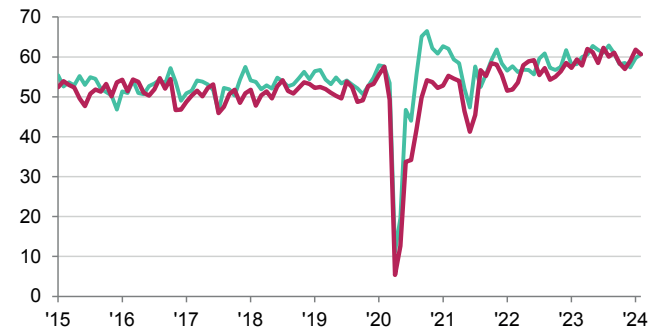
Growth of private sector sales likewise remained sharp in spite of softening since January. Rates of expansion were broadly similar at manufacturers and services firms, though the former registered an acceleration and the latter a slowdown.

The service sector led with regards to cost inflation, posting a sharper increase than its manufacturing counterpart. At the composite level, input prices rose at the slowest pace since August 2020.

Prices charged for Indian goods and services also rose at a softer rate halfway through the final fiscal quarter, and one that was the weakest in two years. Here, the faster increase was seen at manufacturers.

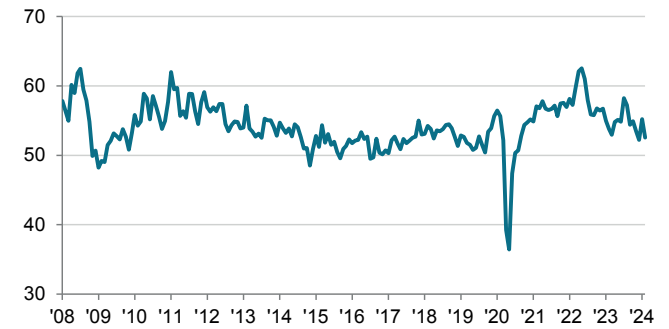
\*Composite PMI indices are weighted averages of comparable manufacturing and services PMI indices. Weights reflect the relative size of the manufacturing and service sectors according to official GDP data.

■ Manufacturing PMI Output Index  
 ■ Services PMI Business Activity Index  
 sa, >50 = growth since previous month



Sources: HSBC, S&P Global PMI.

Services PMI Input Prices Index  
 sa, >50 = inflation since previous month



Sources: HSBC, S&P Global PMI.

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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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