

News Release

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HSBC India Services PMI[®]

Near-record upturn in services exports helps boost sales growth

Key findings

Second-fastest rise in international orders in series history

Expansions in total sales and output among fastest in 14 years

Charge inflation retreats from March's near seven-year high

India's service sector made a strong start to the first fiscal quarter – according to HSBC PMI[®] data compiled by S&P Global – as growth of new business and output remained sharp and among the fastest in 14 years. In addition to buoyant domestic demand, firms noted new business gains from several parts of the world, which collectively underpinned the second-quickest upturn in international sales since the series started in September 2014.

Wage pressures and higher food prices meanwhile led to another increase in cost burdens, which firms partially passed on to their customers. Charge inflation eased from March's near seven-year high, however.

Despite falling from 61.2 at the end of the previous fiscal quarter to 60.8 in April, the seasonally adjusted HSBC India Services Business Activity Index highlighted one of the strongest growth rates seen in just under 14 years. Survey members attributed the latest upturn in output to favourable economic conditions, demand strength and rising intakes of new work.

Business activity increased across the four sub-categories monitored by the survey, led by steep growth in Finance & Insurance.

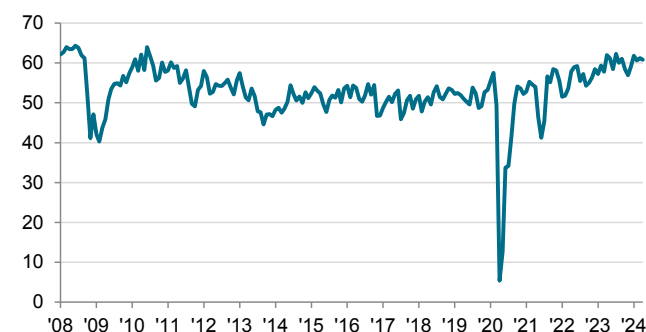
Notably, services companies observed the second-fastest increase in new export business in the near ten-year series history, behind only that seen in March. Anecdotal evidence highlighted gains from several countries in Asia, Africa, Europe, the Americas and Middle East.

Still, total new orders continued to rise at a stronger rate than exports. The upturn in overall sales was sharp, well above its long-run average and among the strongest in 14 years.

Amid reports of higher input (particularly fruits and vegetables) and labour costs, operating expenses continued to increase in April. The overall rate of inflation pulled back

HSBC India Services PMI Business Activity Index

sa, >50 = growth since previous month



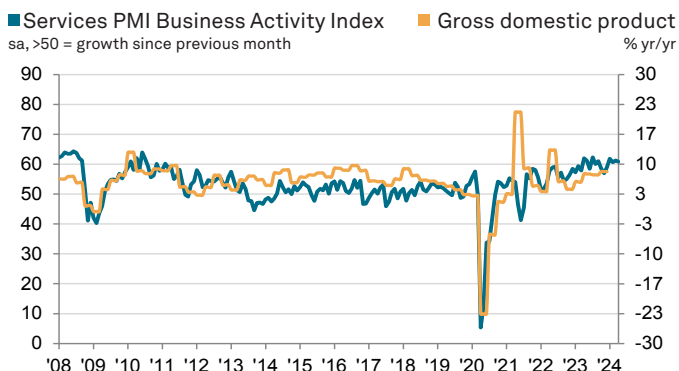
Sources: HSBC, S&P Global PMI.

Data were collected 10-26 April 2024.

Comment

Pranjul Bhandari, Chief India Economist at HSBC, said:

“India’s service activity rose at a slightly softer pace in April, backed by a further rise in new orders, with a notable strength in domestic demand. Although new export orders remained robust, they showed a slight moderation from March figures. In response to increased new orders, firms expanded their staffing levels, though the pace of hiring growth decelerated. Input costs continued to rise sharply, albeit slower than in March, but resulted in squeezed margins for service firms, as only part of the price rise was passed on to clients through output charges. Overall confidence among service providers for the year-ahead outlook improved markedly, bolstered by resilient demand conditions. In terms of overall activity, aggregate output across both the manufacturing and service sectors rose significantly in April, albeit at a slightly slower pace, indicating sustained health in these sectors.”



since March and was broadly aligned with its long-run average.

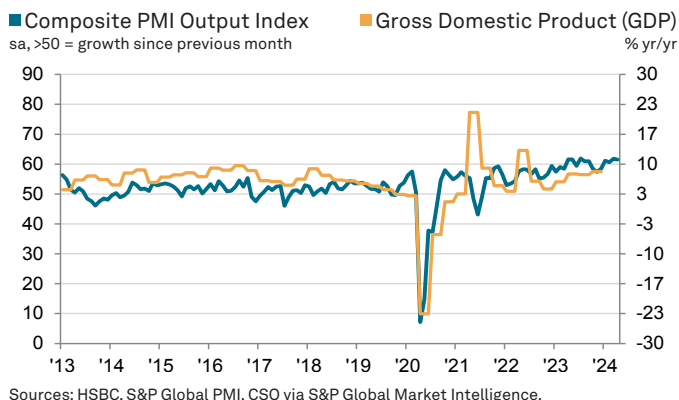
The Consumer Services segment saw by far the sharpest increase in input costs.

A backdrop of robust underlying demand enabled service providers to pass part of their additional cost burdens through to clients in the form of increased charges. The rate of selling price inflation eased from March's near seven-year high and was close to its long-run trend.

Buoyed by rising inflows of new business, a few service providers in India showed an increased appetite for new hires in April. That said, with several companies indicating that payroll numbers were sufficient for current requirements, the rate of job creation was marginal and softer than that seen at the end of the previous fiscal year.

Outstanding business meanwhile increased for the twenty-eighth consecutive month in April, albeit at a slight pace that was softer than in March and broadly aligned with the average over this sequence.

Finally, confidence among service providers towards the year-ahead outlook for business activity improved to a three-month high. Marketing efforts and efficiency gains, alongside plans to price competitively and predictions that demand conditions will remain favourable, boosted optimism.



HSBC India Composite PMI®

Aggregate output rises at one of quickest rates in 14 years

Despite coming in below the Flash estimate (62.2), the final HSBC India Composite PMI® Output Index* still signalled a substantial rate of expansion across the private sector. At 61.5 in April (March: 61.8), the latest reading was one of the highest seen in close to 14 years.

As was the case for output, manufacturers continued to note a stronger increase in new business intakes than service providers. Aggregate sales rose sharply, and at one of the fastest rates since mid-2010.

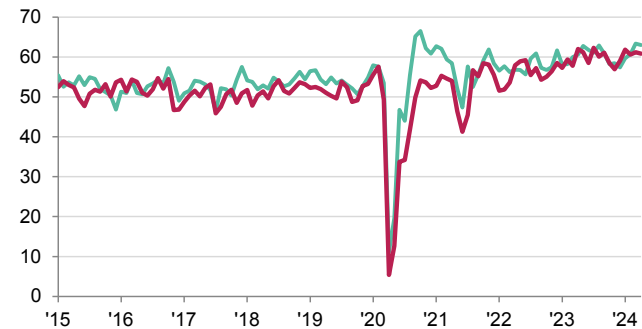
Goods producers also led April's rise in payroll numbers, with softer growth in the service economy curbing job creation at the composite level.

Aggregate input costs across India rose moderately at the start of the first fiscal quarter. The rate of inflation was softer than in March and below its long-run average. Here, the stronger increase was registered in the service sector.

Moderate increases in selling prices were recorded at manufacturing firms and their services counterparts. Across the private sector, charge inflation softened since March.

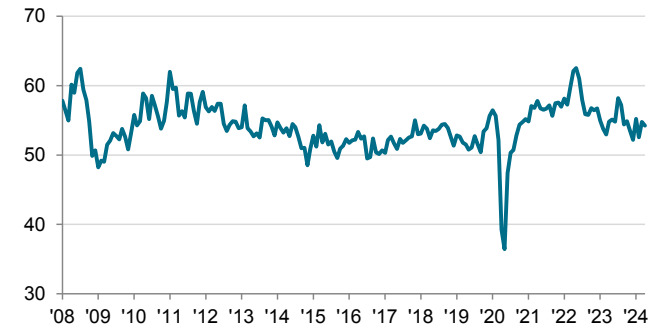
*Composite PMI indices are weighted averages of comparable manufacturing and services PMI indices. Weights reflect the relative size of the manufacturing and service sectors according to official GDP data.

■ 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.

Contact

HSBC India
 Shalaka Kagathra
 T: +91 22 22681046
shalaka.kagathra@hsbc.co.in

Snehha Madhyani
 T: +91 22 22685341
snehha.madhyani@hsbc.co.in

S&P Global Market Intelligence
 Pollyanna De Lima
 Economics Associate Director
 T: +44-1491-461-075
pollyanna.delima@spglobal.com

SungHa Park
 Corporate Communications
 T: +82 2 6001 3128
sungha.park@spglobal.com

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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.

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