

# News Release

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

### Services activity expands at strongest rate in over 11 years while input cost inflation climbs to new record

#### Key findings

May sees faster increases in new business and output...

...parallel to unprecedented rise in input prices

Business confidence remains historically subdued

Service sector growth continued to strengthen in May, with companies reporting the quickest increase in business activity since April 2011. The upturn was supported by a substantial pick-up in new business growth as demand continued to recover following the reopening of the economy after COVID-19 lockdowns.

Meanwhile, inflation showed no signs of abating as price gauges showed an unprecedented increase in input costs and the second-fastest upturn in selling charges in just under five years. Inflation expectations continued to restrict business confidence, with optimism remaining subdued by historical standards.

Posting 58.9 in May, up from 57.9 in April, the seasonally adjusted S&P Global India Services PMI<sup>®</sup> Business Activity Index indicated the fastest rate of expansion in over 11 years. Anecdotal evidence suggested that the upturn in output reflected better underlying demand and strong inflows of new work.

Indeed, latest data revealed a notable acceleration in growth of new business. The increase was sharp and the quickest since July 2011. Service providers mentioned that demand continued to strengthen following the lifting of COVID-19 restrictions and the resumption of events.

May data marked a twenty-third successive month of rising input prices at Indian service providers. Moreover, the rate of inflation climbed to the highest in 16-and-a-half years of data collection. One-fifth of panellists signalled increases, citing greater food, fuel, labour, material, retail and transportation costs.

Services companies continued to transfer rising cost burdens through to customers via upward adjustments to selling prices. Little-changed from April, the overall rate of charge inflation was the second-highest in close to five years.

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



Source: S&P Global.  
Data were collected 12-27 May 2022.

#### Comment

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

*"The reopening of the Indian economy continued to help lift growth in the service sector. Business activity rose at the quickest pace in over 11 years in May, supported by the fastest upturn in new orders since July 2011.*

*"That said, the inflation outlook appeared to have worsened as input prices rose at the sharpest pace in the survey history. Services firms again reported substantial pressure from food, fuel, input, labour and transportation costs. Output charge inflation softened only marginally from April, being the second-highest in just under five years, as several companies mentioned the need to transfer mounting costs through to clients.*

*"Elevated price pressures continued to restrict business optimism. Despite picking up from April, the overall level of sentiment among service providers was historically subdued.*

*"Consumer Services remained the brightest spot of the service economy, posting the strongest increases in both new business and output during May. It was here too that the steepest rate of input cost inflation was seen."*

PMI<sup>®</sup>

by S&P Global

Despite remaining optimistic towards the 12-month outlook for business activity, firms remained concerned that inflationary pressures would dampen the economic recovery. The overall level of positive sentiment improved from April, but remained historically low.

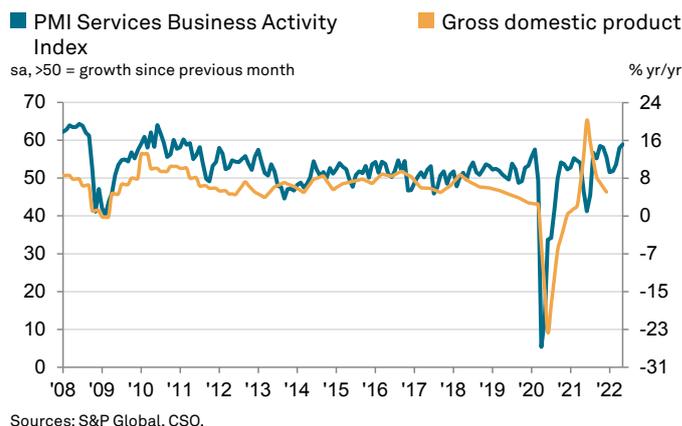
Elsewhere, there was a further increase in outstanding business among services firms during May. The rise was fifth in consecutive months and the fastest in a year, but moderate overall. Where backlogs expanded, companies associated this with greater new orders.

Still, service providers refrained from taking on additional workers in May. In fact, there was a renewed but only marginal decline in employment.

The latest results continued to signal subdued global demand for Indian services, with new business from abroad having now declined in each month since the onset of COVID-19 in March 2020.

Underlying data highlighted Consumer Services as the best-performing area of the service economy in May, where growth of both new orders and business activity surpassed those seen in the other three monitored sub-sectors.

Consumer Services also recorded the sharpest rate of input cost inflation halfway through the opening quarter of fiscal year 2022/23, while the fastest upturn in output charges was seen at Transport, Information & Communication companies.



## S&P Global India Composite PMI®

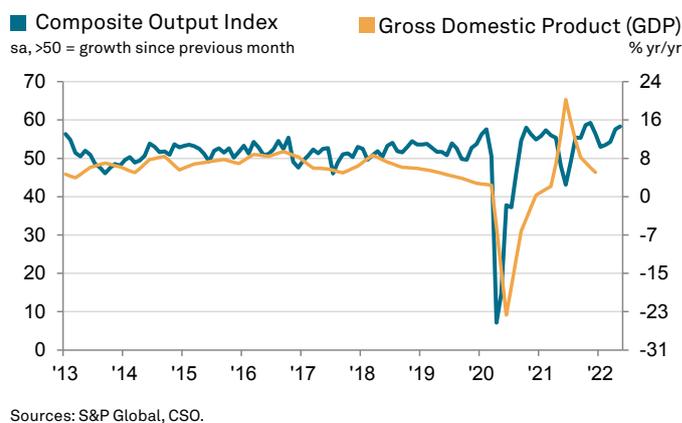
### Stronger growth of private sector output accompanies mounting cost pressures

May data showed a combination of quicker output growth and an intensification of cost pressures across India's private sector. Rising from 57.6 in April to 58.3 in May, the S&P Global India Composite PMI Output Index\* pointed to the fastest rate of expansion since last November. Services led the increase with the quickest upturn in activity in over 11 years.

Underpinned by a stronger upturn in input prices in the service economy, aggregate cost burdens rose at the fastest rate since March 2011. By comparison, there was a mild slowdown in cost inflation in the manufacturing industry.

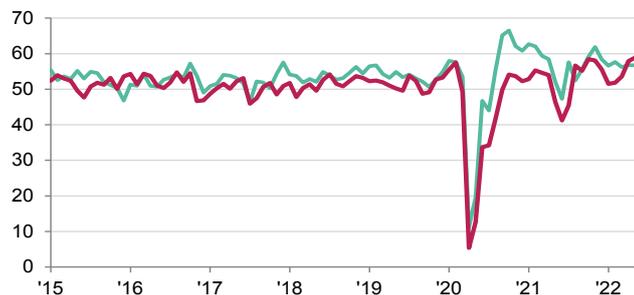
Concurrently, output charges at the composite level rose further, with the overall rate of inflation little-changed from April's nine-year high.

Business confidence among private sector firms in India remained subdued in May, despite improving from April. Manufacturers and service providers were concerned that inflationary pressures would restrict output growth over the course of the coming 12 months.



\*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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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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