

News Release

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HSBC India Services PMI[®]

Price pressures intensify as underlying demand remains strong

Key findings

Substantial rise in exports supports overall sales

Record increase in employment

Rates of input cost and output charge inflation quicken

Indian services growth broadly steadied in May, with rates of expansion in new business and activity little-changed from those seen in the prior three months. A key area of strength was exports, with survey participants reporting one of the strongest improvements in international demand in 19-and-a-half years of data collection. The latest results also revealed a fresh record-rise in employment, as firms continued to adjust operating capacities in line with ongoing increases in sales.

Price gauges showed an intensification of input cost and output charge inflation, with rates of increase edging above their historical averages in each case.

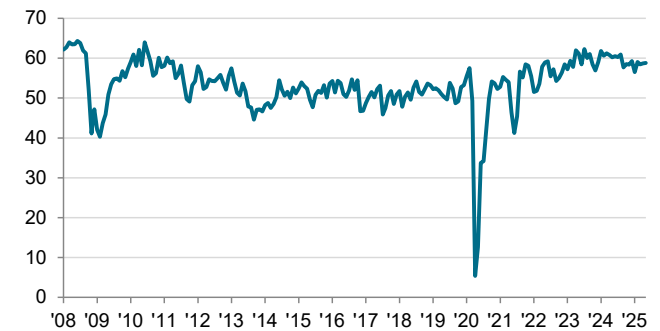
Registering 58.8 in May, the seasonally adjusted HSBC India Services PMI[®] Business Activity Index – based on a single question asking how the level of business activity compares with the situation the month before – was broadly in line April's reading of 58.7 and therefore signalled another sharp rate of expansion. Growth was reportedly underpinned by healthy demand conditions, new client wins and greater staffing capacity.

Similar to the trend for output, new orders rose at a sharp pace that was largely aligned with those registered from February to April. Advertising, demand strength and repeat orders from existing clients were some of the reasons panellists gave for the upturn in sales.

Notably, companies observed a near-record improvement in international demand for their services during May. Over the course of the survey's 19-and-a-half-year history, faster increases in new export orders were only recorded in May and June 2024. When citing sources of growth, firms mentioned Asia, Europe and North America in particular.

To accommodate for ongoing expansions in new business intakes, service providers continued to recruit additional

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

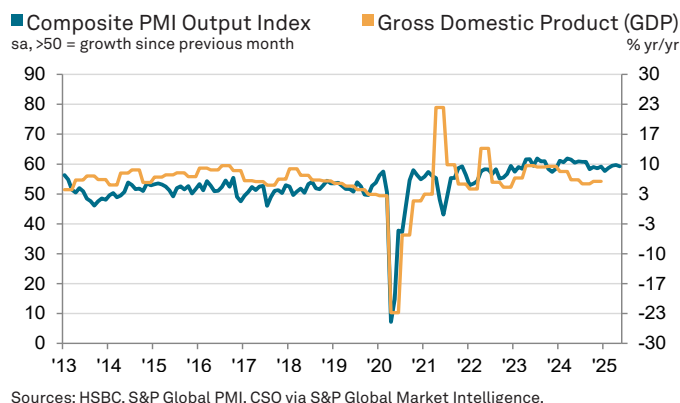
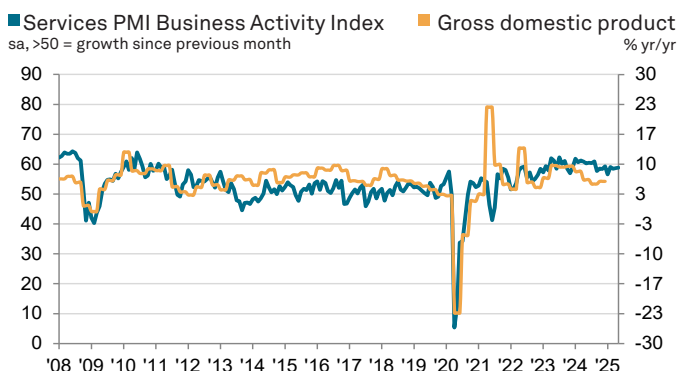


Sources: HSBC, S&P Global PMI.
Data were collected 9-28 May 2025.

Comment

Pranjul Bhandari, Chief India Economist at HSBC, said:

"India registered a 58.8 services PMI in May 2025, broadly in line with the steady readings from recent months. Strong international demand continued to fuel services activity, as evidenced by the new export business index's uptick from April. To keep up with swelling demand, India's service providers heavily increased staff recruitment. Indeed, the employment index rose to the highest reading ever recorded by this survey. Meanwhile, price pressures continued to intensify with input prices and charged prices both rising last month."



staff. Almost 16% of panel members reported higher payroll numbers, while 1% indicated a fall. The resulting overall rate of job creation was the strongest in the history of the survey.

The increase in workforce numbers, coupled with overtime payments, added to firms' cost burdens. Some companies also cited greater outlays on cooking oil, material and meat. The overall rate of inflation edged above the series average and was the highest since the start of the current calendar year.

Likewise, services charges in India rose to a greater degree halfway through the first fiscal quarter. The rate of inflation was the joint-strongest since November 2024 and historically marked.

May data showed an easing of capacity pressures at services companies, as outstanding business increased at a slower pace. The rate of accumulation was marginal and the weakest in eight months. The slower fall in backlogs of work was a result of jobs growth, anecdotal evidence showed.

There was a recovery in business sentiment during May, with the overall level of confidence rising from April's 23-month low. Upgraded forecasts stemmed from expectations that greater staffing capacity, expanded clientele and marketing initiatives will support activity growth in the year ahead.

HSBC India Composite PMI®

Mild loss of growth momentum, but job creation reaches new series peak

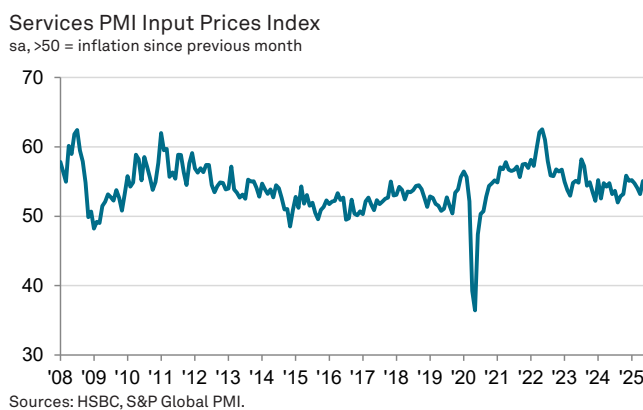
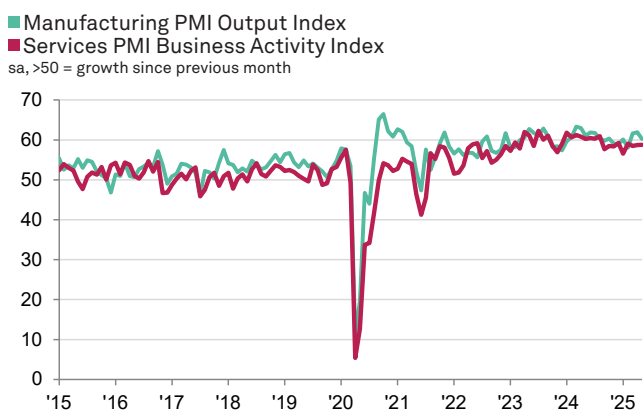
The HSBC India Composite PMI® Output Index* came at 59.3 in May, down only marginally from 59.7 in April and therefore signalling a further sharp upturn in aggregate activity. The downward movement in the headline index reflected softer growth of factory production, as services activity rose at a quicker pace.

Regarding new business, there were slightly weaker increases at manufacturing companies and their services counterparts. At the composite level, the pace of growth remained sharp despite easing to a three-month low.

Ongoing improvements in demand for Indian goods and services led to survey-record increases in jobs across the two sectors. Hence, aggregate employment expanded at an unprecedented pace.

Input cost inflation across the private sector accelerated to a six-month high, with the sharper upturn registered in the services economy. Selling prices also increased at the fastest pace since November 2024, though here the quickest rise was in manufacturing.

*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.

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