# News Release

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# S&P Global India Services PMI®

## Service sector growth wanes in July, alongside cooling of inflation pressures

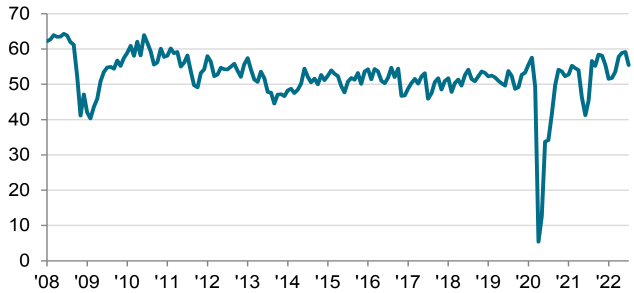
### Key findings

Business activity and sales increase sharply...

...but in both cases rates of expansion soften

Charge inflation eases amid slower rise in input costs

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




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

The recovery of the Indian service sector lost momentum during July as weaker sales growth and inflationary pressures restricted the latest upturn in business activity. While marketing efforts underpinned another rise in new work intakes, competitive pressures and unfavourable weather dampened demand. That said, the weaker recovery was supplemented by retreating price pressures. Input costs increased at the slowest rate since February, while output charges were hiked to a weaker extent than in June.

Posting 55.5 in July, the seasonally adjusted S&P Global India Services PMI® Business Activity Index pointed to a sharp rate of expansion. That said, falling from 59.2 in June — the highest figure in over 11 years — the latest reading indicated the slowest rate of growth in four months. Companies that signalled higher business activity mentioned ongoing improvements in sales, the offering of new services and workers taking on overtime. The rise was reportedly curbed by price pressures and US dollar strength.

Similarly, new business inflows increased at a marked rate that was nevertheless the slowest in four months. Service providers that reported higher sales mentioned favourable demand conditions and fruitful advertising. Growth was dampened by fierce competition and unfavourable weather, according to survey participants.

Underlying data indicated that the domestic market remained the key source of sales growth as international demand for Indian services worsened further. The latest drop in new international business was marked, but the weakest in six months.

Services companies reported a further increase in their average expenses during July, with food, fuel, materials, staff, retail and transportation cited as the key sources of inflationary pressures. Input costs rose sharply, though at the slowest pace in five months.

Ongoing cost increases led companies to lift their own

### Comment

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

*"There were many positives in the latest results. Business activity continued to rise strongly, with a similarly robust uplift in new business as the offering of new services and marketing efforts bore fruit.*

*"There was, however, a noticeable loss of momentum for the Indian service economy as demand was somewhat curtailed by competitive pressures, elevated inflation and unfavourable weather. Both output and sales increased at the weakest rates for four months.*

*"In line with concerns that economic growth has weakened as we enter the second fiscal quarter, service providers signalled subdued confidence towards the medium-term business outlook. Only 5% of panellists forecast output growth over the course of the coming 12 months, while 94% predict no change from present levels.*

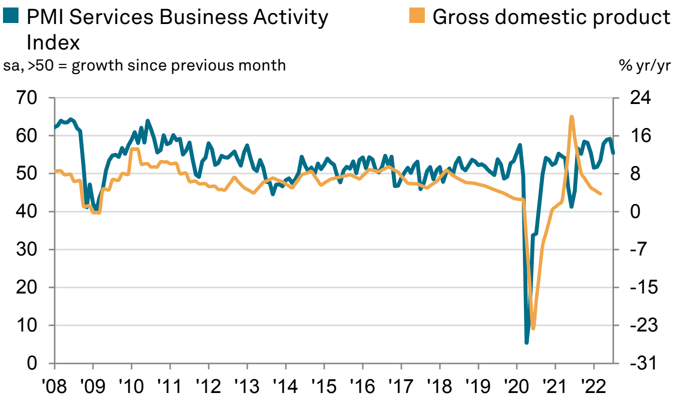
*"The subtle easing in cost inflationary pressures to a five-month low was also welcomed by services firms struggling to preserve margins, and contributed to a softer rise in prices charged. Yet, survey participants again reported considerable strain from food, fuel, input, labour, retail and transportation costs."*

selling prices in July. Despite the rate of inflation softening from June's near five-year peak, the latest rise was solid and the seventeenth in successive months.

July data showed a negligible increase in service sector employment across India. The rate of job creation was fractional and broadly similar to June. The vast majority of firms left payroll numbers unchanged amid a lack of need to raise workforces.

Indeed, capacity pressures remained only mild, with the average level of outstanding business rising at a slight pace that was the weakest in three months.

Business sentiment in the service economy was subdued in July. Only 5% of companies forecast output growth in the year ahead, which they hope would follow from a pick-up in demand and marketing efforts. The vast majority of firms (94%) predict no change in business activity from present levels.




Sources: S&P Global, CSO.

# S&P Global India Composite PMI®

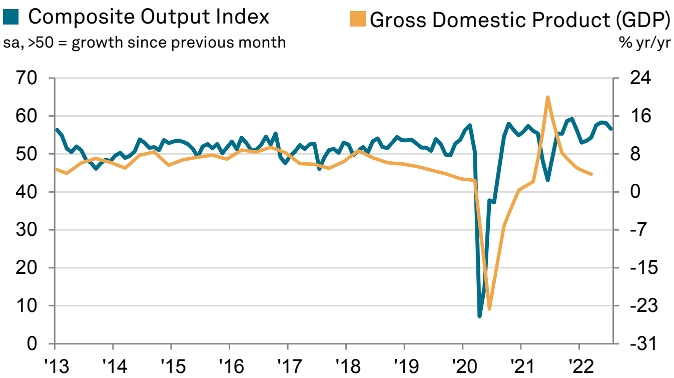
## Private sector growth softens amid slowdown in services

PMI® data for July pointed to a sharp, albeit softer, expansion in private sector activity across India. The S&P Global India Composite PMI Output Index* fell from 58.2 in June to 56.6, highlighting the slowest increase since March. Manufacturing led the upturn with the quickest rise in production since last November, while growth of services activity eased to the weakest in four months.

Similarly, new business growth picked up in the manufacturing industry whilst slowing in the service economy. At the composite level, sales increased sharply but at the weakest pace in four months.

Aggregate employment rose only marginally in July, with rates of expansion broadly alike at goods producers and service providers.

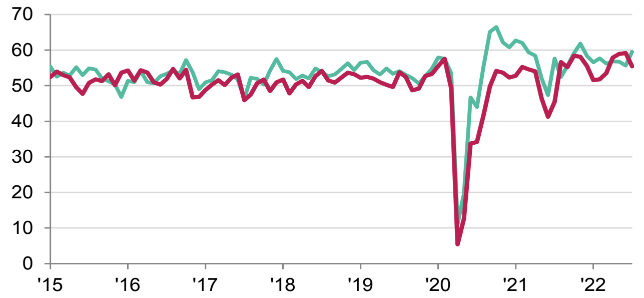
There was a broad-based slowdown in rates of input cost and selling charge inflation across the manufacturing and service sectors. At the composite level, purchase prices and selling charges rose at the slowest rates since February and March respectively.




Sources: S&P Global, CSO.

*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.

**About S&P Global**

S&P Global (NYSE: SPGI) S&P Global provides essential intelligence. We enable governments, businesses and individuals with the right data, expertise and connected technology so that they can make decisions with conviction. From helping our customers assess new investments to guiding them through ESG and energy transition across supply chains, we unlock new opportunities, solve challenges and accelerate progress for the world.

We are widely sought after by many of the world's leading organizations to provide credit ratings, benchmarks, analytics and workflow solutions in the global capital, commodity and automotive markets. With every one of our offerings, we help the world's leading organizations plan for tomorrow, today.

**About PMI**

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.

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