

News Release

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HSBC India Services PMI®

February sees stronger expansions in services activity and new business

Key findings

New orders rise at faster pace...

...underpinning job creation and quicker output growth

Charge inflation holds steady, despite softer cost pressures

Boosted by improving domestic and international demand, new orders placed with Indian services companies rose at a faster rate during February. The uptick in growth underpinned a quicker expansion in output and a substantial increase in employment.

Although firms noted that cost burdens rose further, the rate of inflation receded to a four-month low. Meanwhile, the rate of increase in output prices was broadly similar to January and therefore remained above its long-run average.

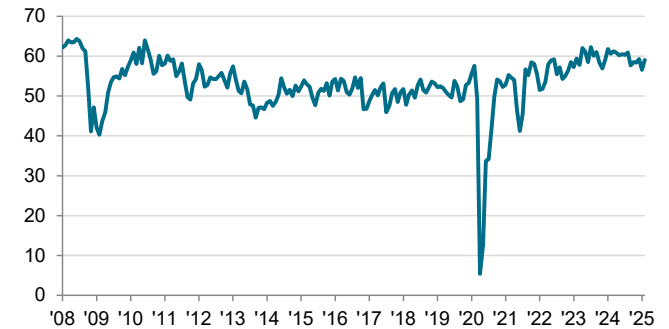
The seasonally adjusted HSBC India Services PMI® Business Activity Index – based on a single question asking how the level of business activity compares with the situation the month before – rose from January's 26-month low of 56.5 to 59.0 in February, indicating a sharp rate of expansion that was well above its long-run average.

Productivity gains, favourable underlying demand and greater intakes of new business were the key determinants of output growth, anecdotal evidence showed.

Indeed, sales increased further in February. The upturn was historically strong and quicker than that seen in January. Gains in international orders supported this trend, with service providers reporting better demand from clients in Africa, Asia, Europe, the Americas and the Middle East. Overall, external sales expanded at the fastest pace in six months.

In order to accommodate for rising new business and alleviate capacity pressures, Indian services firms continued to pursue recruitment drives. Employment expanded sharply, and at one of the fastest rates seen since data collection began in December 2005. According to panellists, full- and part-time staff were hired.

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



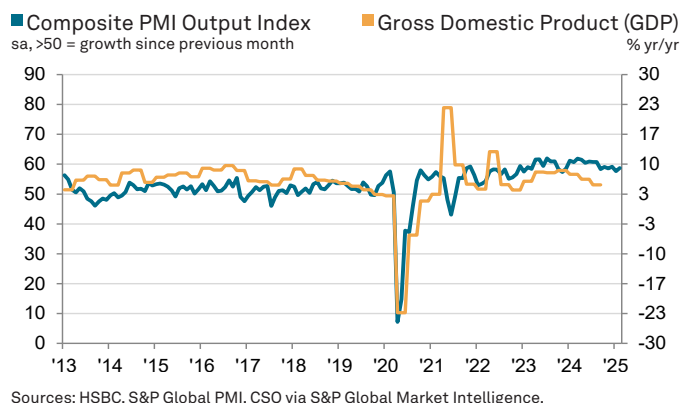
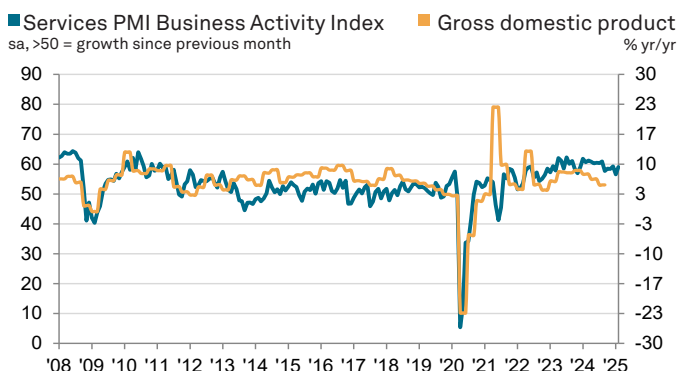
Sources: HSBC, S&P Global PMI.

Data were collected 6-26 February 2025.

Comment

Pranjul Bhandari, Chief India Economist at HSBC, said:

"India's services business activity index rose to 59.0 in February 2025, up considerably from January's 26-month low of 56.5. Global demand, which grew at its fastest pace in six months according to the new export business index, played a major role in driving output growth for India's services sector. Meanwhile, job creation and charge inflation remained strong during February. Looking ahead, business sentiment remains broadly positive, but did slightly slip last month to its lowest level since August 2024."



Although labour was identified as a source of cost pressures – via additional recruitment, higher salaries and overtime payments – monitored companies also signalled greater outlays on food, material and packaging. The overall rate of cost inflation nevertheless receded to a four-month low and was aligned with its historical trend.

The rate of charge inflation was broadly similar to January, therefore remaining above its long-run average. Survey members commented that additional cost burdens had been passed on to their customers.

Out of the four broad areas of the service economy tracked by the PMI® survey, cost pressures were most intense in the Consumer Services category. The strongest increase in selling charges was signalled by Transport, Information & Communication firms.

Despite ongoing increases in staff numbers, Indian service providers continued to see their backlogs piling up in February. Outstanding business volumes rose at the joint-fastest rate since last May, matching that seen at the start of 2025.

Advertising, better customer relations, efficiency gains and healthy demand conditions all underpinned upbeat projections for output in the year ahead. Around one-quarter of survey members forecast growth in the year ahead, while fewer than 2% were pessimistic. The overall level of positive sentiment slipped to a six-month low, however.

HSBC India Composite PMI®

Growth of private sector output boosted by services activity

Aggregate output in India increased sharply in February, and at a quicker pace than that seen at the start of the 2025 calendar year. The HSBC India Composite Output Index* rose from 57.7 to 58.8, indicating a substantial rate of expansion. The acceleration in growth was centered in the service economy, as manufacturers registered a slower upturn.

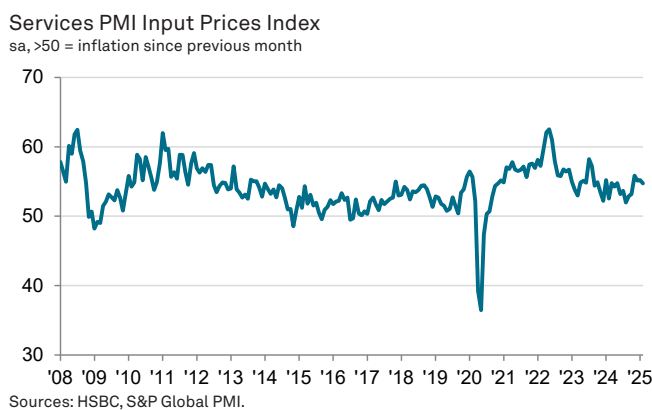
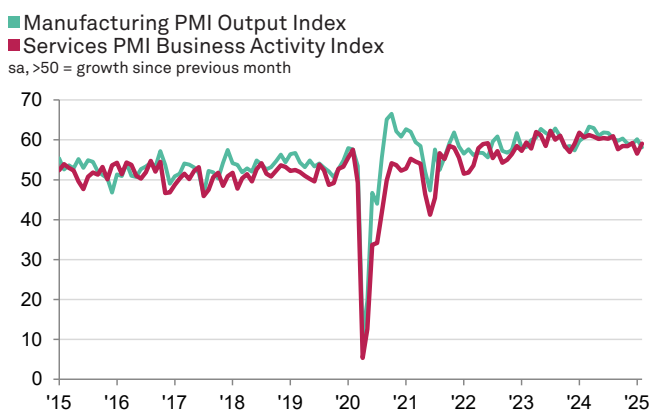
Private sector sales rose at a sharp rate that was quicker than in January. February's acceleration reflected a pick-up in growth of new business among services companies.

Service providers also signalled a faster increase in employment than goods producers. At the composite level, payroll numbers expanded at a marked pace that was little-changed from January's survey record.

Cost pressures across the private sector were at their least intense since last October. The rate of inflation in the manufacturing industry was considerably less pronounced than in services.

Finally, prices charged for Indian goods and services increased at the fastest rate in three 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.



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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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