

News Release

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HSBC India Services PMI®

Service economy sees pick-up in growth during December

Key findings

New business and output rise at fastest rates in three months

Business confidence ticks higher

Input cost inflation recedes to 40-month low

The HSBC India Services PMI® survey, conducted by S&P Global, highlighted a pick-up in growth momentum at the end of the 2023 calendar year. Demand buoyancy spurred sales, subsequently fuelling business activity. Job creation extended into a nineteenth successive month, while business optimism strengthened.

Meanwhile, cost pressures receded further, reaching their lowest in nearly three-and-a-half years. Still, there was a quicker and solid upturn in selling charges.

Rising from 56.9 to 59.0 in December, the seasonally adjusted HSBC India Services PMI® Business Activity Index highlighted a sharp increase in output that was the most pronounced since September. Owing to lower readings in October and November, however, the latest quarterly average was the lowest since Q4 fiscal year 2022-2023.

Favourable economic conditions and positive demand trends were the key determinants of output growth, anecdotal evidence showed. Not only did new business intakes rise further in December, but also to the greatest extent in three months.

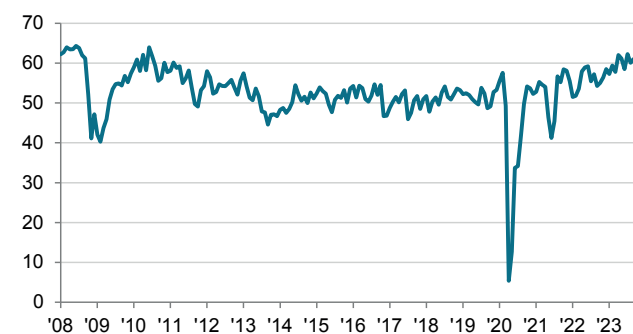
The rise in total new business was supported by continued growth of international sales. Service providers noted higher demand from clients based in Australia, Canada, Europe, the Middle East and South America during December. Having eased since November, however, the rate of expansion in new export orders was modest and the softest since June.

Services firms in India expect the strong demand momentum to carry forward to 2024 which, coupled with advertising and better customer relationships, underpinned upbeat forecasts for output. The overall degree of business optimism was strong and better than that seen in November.

Elsewhere, the HSBC PMI data showed ongoing job creation in India's service economy. Survey participants indicated that new workers had been hired on both full- and part-time

HSBC India Services PMI Business Activity Index

sa, >50 = growth since previous month



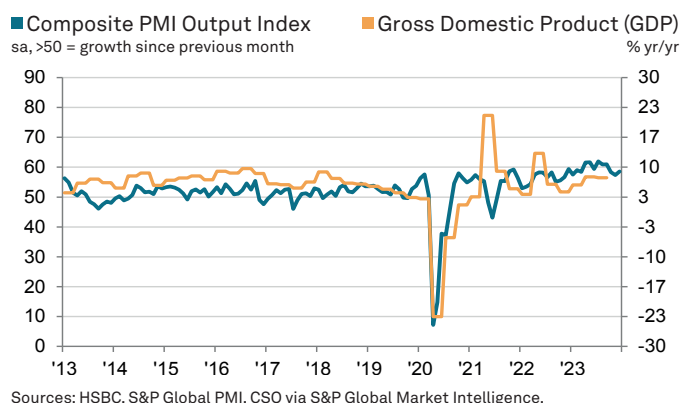
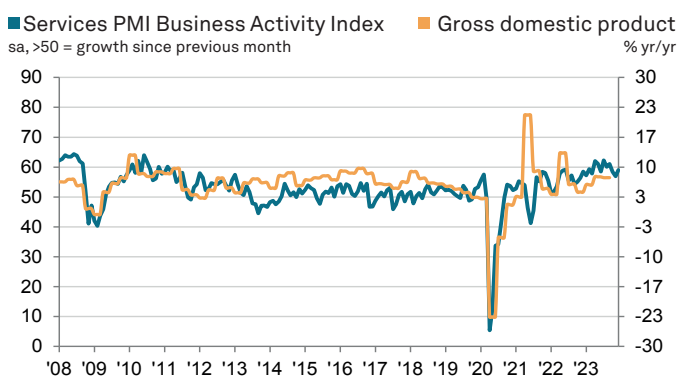
Sources: HSBC, S&P Global PMI.

Data were collected 5-20 December 2023.

Comment

Pranjul Bhandari, Chief India Economist at HSBC said:

“India’s services sector ended the year on a high note, with an uptick in business activity, led by a three-month-high new orders index. Input costs rose at a slower pace than in November, continuing the softening trend which began in mid-2023. But output prices rose at a faster pace, indicating improved corporate margins in December.”



bases. Although slight, the aggregate rate of employment growth was faster than in November.

December data continued to signal mild pressure on the capacity of Indian services companies, as outstanding business rose slightly. The pace of accumulation was the quickest in four months, but equal to its long-run average.

Amid reports of higher prices paid for food and some other inputs, the average expense of services firms continued to increase at the end of the third fiscal quarter. That said, the overall rate of inflation was modest, below its long-run average and the weakest in nearly three-and-a-half years.

Nevertheless, there was a mild pick-up in charge inflation during December. The rate of increase in prices charged for the provision of services in India was solid, above its long-run average and faster than that seen for input costs. The upturn was reportedly induced by rising instances of firms passing on cost burdens to their customers.

HSBC India Composite PMI®

Growth across India's private sector ticks higher amid pick-up in services

India's private sector activity rose to a greater extent in December, reversing the slowdown seen in November. The HSBC India Composite PMI® Output Index* increased from 57.4 to 58.5, signalling a sharp rate of expansion that was the strongest since September. The acceleration was underpinned by faster growth in the service economy, as factory production rose at the slowest pace in 14 months.

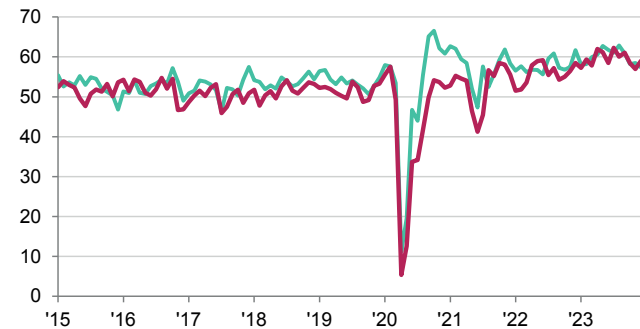
Similarly, goods producers noted a weaker upturn in new orders, while service providers registered an acceleration. At the composite level, sales expanded at the fastest rate since September.

There was a notable slowdown in the aggregate rate of input price inflation at the end of the 2023 calendar year, one that was the least pronounced in 40 months. Cost pressures remained more pronounced in the service sector.

Prices charged for both Indian goods and services rose further in December, albeit with rates of inflation little-changed since November. The combined increase across the private sector was solid, but the second-weakest in nine months.

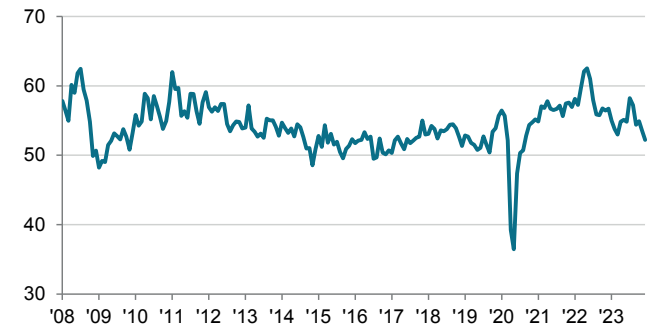
*Composite PMI indices are weighted averages of comparable manufacturing and services PMI indices. Weights reflect the relative size of the manufacturing and service sectors according to official GDP data.

■ Manufacturing PMI Output Index
 ■ Services PMI Business Activity Index
 sa, >50 = growth since previous month



Sources: HSBC, S&P Global PMI.

Services PMI Input Prices Index
 sa, >50 = inflation since previous month



Sources: HSBC, S&P Global PMI.

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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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