

News Release

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S&P Global India Services PMI[®]

Demand for Indian services supported by receding price pressures

Key findings

New business and output expand further in November

Rates of cost and charge inflation at eight-month lows...

...but rising inflation expectations curb optimism

The increase in Indian services activity extended into November, with cooling price pressures and demand resilience inducing sales growth, latest PMI[®] survey data from S&P Global showed. Rates of both input cost and output charge inflation slipped to eight-month lows. There were softer expansions in new work intakes and output, the slowest in a year, but they were nevertheless sharp and well above their respective long-run averages.

Businesses maintained a positive outlook for activity in the coming 12 months, although confidence somewhat faded due to rising inflation expectations.

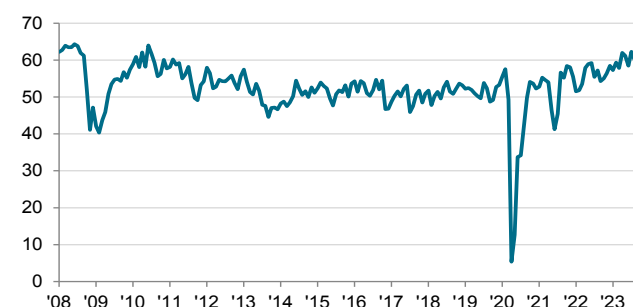
Despite falling from 58.4 in October to a one-year low of 56.9 in November, the seasonally adjusted S&P Global India Services Business Activity Index pointed to a sharp increase in output across the sector. The rate of expansion was also considerably stronger than its long-run average. Survey participants that signalled growth mentioned favourable demand trends and new business gains.

As has been the case on a monthly basis for over two years, service providers in India recorded an increase in sales midway through the third fiscal quarter. The upturn reportedly stemmed from new client wins, demand strength and favourable market conditions. The overall rate of growth softened to the weakest since November 2022, but was sharp and above the series trend.

Granular data showed widespread slowdowns in rates of growth for both new orders and output across the four broad areas of the service economy. Finance & Insurance topped the rankings, while Real Estate & Business Services came last.

International demand for Indian services improved further but, as for total new orders, growth lost momentum. The latest increase in new export orders was moderate and the slowest since June.

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



Source: S&P Global PMI.
Data were collected 9-28 November 2023.

Comment

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

"India's service sector has lost further growth momentum midway through the third fiscal quarter, but we continue to see robust demand for services fuelling new business intakes and output. The current rates of expansion look very healthy when considering their respective long-run averages and the outlook for business activity remains bright in spite of optimism fading due to rising inflation expectations."

"There was some relief for service providers in India on the cost front, with the rate of input price inflation receding to the weakest in eight months. Fewer companies hiked their own fees as a result, an aspect that might provide a further boost to demand as 2023 draws to a close."

"Understandably, given the lack of pressure on operating capacities signalled by stable backlog levels, services firms became more cautious when it comes to hiring. Net employment still rose in November, but the rate of job creation was marginal and the slowest in seven months."

PMI[®]

by S&P Global

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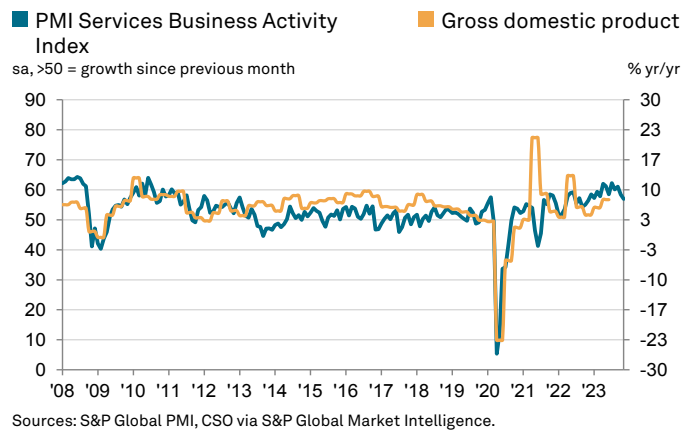
Services firms endured a further increase in their operating expenses, with labour, food, material and transportation costs reportedly rising since October. However, the overall rate of inflation softened to an eight-month low and was below its long-run average.

Charge inflation also receded to the weakest in eight months during November, though here the rate of increase was above the series trend.

Consumer Services firms recorded the highest rate of input cost inflation, while the strongest upturn in selling prices was evident in the Finance & Insurance category.

Qualitative data from the future output question indicated that rising inflation expectations somewhat curbed optimism in November. Services firms still forecast activity growth in the year-ahead, however, amid hopes of better demand conditions. Marketing initiatives and customer relationship management were also cited as opportunities to the outlook.

Finally, the latest results pointed to broadly stable levels of outstanding business among services companies. This curbed recruitment to some extent. Net employment still rose during November, but the pace of expansion was marginal and the weakest since April.



S&P Global India Composite PMI®

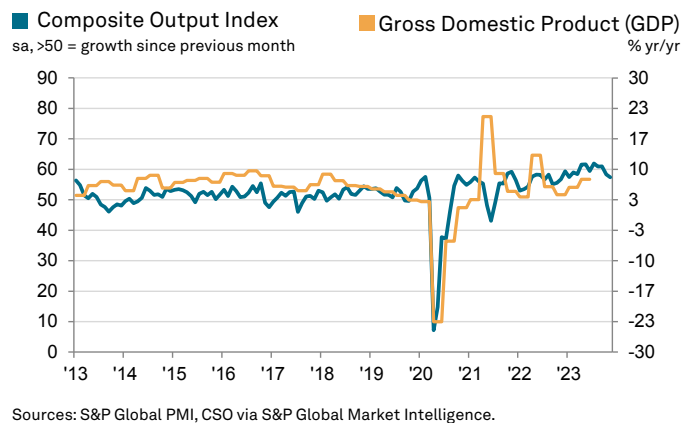
Slowdown in services curbs growth of private sector output

November data signalled the weakest rise in private sector activity across India for a year. However, despite falling from 58.4 in October to 57.4, the S&P Global India Composite PMI® Output Index* was indicative of a substantial pace of expansion. Manufacturers outperformed service providers, and noted a quicker rate of growth. Services saw the slowest upturn in one year.

Similarly, factory orders rose to a greater extent and demand for services somewhat cooled. At the composite level, sales increased at the weakest rate since November 2022.

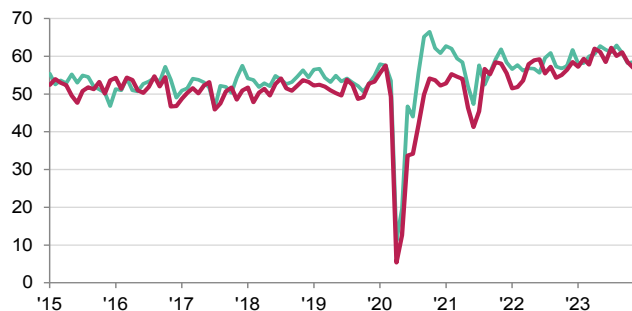
India's private sector also recorded receding inflationary pressures in November. Both input costs and output charges increased at the slowest rates since March. Inflation was more pronounced at services companies than at their manufacturing counterparts.

Despite seeing price pressures waning in November, private sector companies signalled rising inflation expectations through qualitative data for growth prospects. Optimism remained strongly upbeat, but faded to a six-month low.



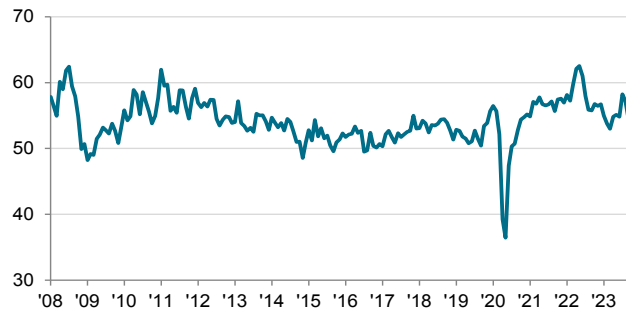
*Composite PMI indices are weighted averages of comparable manufacturing and services PMI indices. Weights reflect the relative size of the manufacturing and service sectors according to official GDP data.

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



Source: S&P Global PMI.

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



Source: S&P Global PMI.

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@spglobal.com.

About S&P Global

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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. www.spglobal.com/marketintelligence/en/mi/products/pmi

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Contact

Pollyanna De Lima
 Economics Associate Director
 S&P Global Market Intelligence
 T: +44-1491-461-075
pollyanna.delima@spglobal.com

SungHa Park
 Corporate Communications
 S&P Global Market Intelligence
 T: +82 2 6001 3128
sungha.park@spglobal.com

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