

News Release

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S&P Global India Services PMI[®]

Indian services exports expand at series record pace in August

Key findings

Fastest rise in exports in nine-year series history

Growth rates for new orders and output remain elevated

Charge inflation joint-strongest in over six years

India's service economy continued to thrive in August, with a series-record increase in new export business inducing another sharp expansion in total sales. Growth of the latter waned, but remained among the best in 13 years. The same trend was recorded for output. Buoyant demand for services meanwhile aided a further upward revision to selling prices. The rate of charge inflation quickened to the joint-fastest in over six years, while input costs rose to a lesser extent.

Despite falling from 62.3 in July to 60.1 in August, the seasonally adjusted S&P Global India Services PMI[®] Business Activity Index indicated one of the strongest increases in output seen since mid-2010. When explaining the latest upturn, survey participants mentioned positive consumer appetite, favourable market conditions and successful events.

Notably, services firms indicated the sharpest upturn in new export business since the series started in September 2014. Asia Pacific, Europe, North America and the Middle East were among the sources of sales gains reported by panellists.

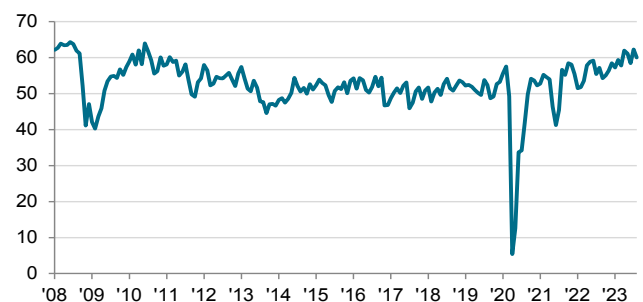
Total new business increased for the twenty-fifth month in a row during August. Advertising and robust demand for services were among the reasons listed for growth. Although softer than in July, the overall expansion in sales was one of the strongest seen in 13 years.

Granular data showed that Finance & Insurance again led growth of both total new business and output in August.

Indian services firms managed to secure a healthy number of new business despite hiking their charges again. August saw the overall rate of output price inflation quicken to the joint-strongest in over six years. Anecdotal evidence indicated that robust demand conditions facilitated the passing on of cost increases to clients.

The overall rate of input price inflation remained above that seen for output charges, despite easing since July. The

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



Source: S&P Global PMI.
Data were collected 10-29 August 2023.

Comment

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

"Indian services companies achieved a remarkable milestone in August, as they welcomed a series-record surge in new export business. Several regions contributed to the upturn, including Asia Pacific, Europe, North America and the Middle East.

"This spike in international demand supported one of the best sales performances recorded over the past 13 years, and acted as a catalyst for firms to expand their workforces as well as output. Demand strength also fostered a heightened sense of optimism regarding the outlook, boding well for economic growth prospects.

"However, favourable demand trends also led to the joint-fastest increase in prices charged for Indian services in over six years, which may prompt attention from policymakers and potentially delay cuts to the benchmark repo rate."

PMI[®]

by S&P Global

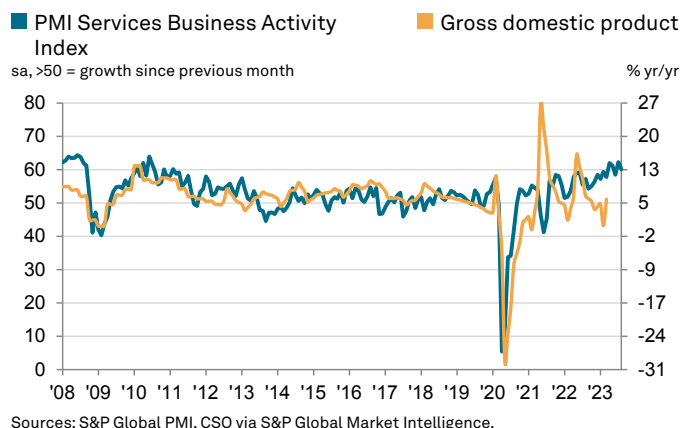
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rate of increase was the second-fastest in over a year and above its long-run average. Monitored companies suggested that food, input and labour costs all rose over the course of August.

Hiring activity across India's service economy continued to expand halfway through the second fiscal quarter. Survey participants reported a blend of permanent and temporary staff recruitment on both part- and full-time bases. The rate of job creation was moderate, but the strongest seen since last November.

Capacity pressures at service providers ticked higher in August, evidenced by a stronger increase in work pending completion. That said, the rate of backlog accumulation was only slight.

Monitored companies firmly believed that output would remain on an upward growth path over the course of the coming 12 months. The overall level of positive sentiment climbed to its highest in the calendar year-to-date. Advertising, demand strength, plans to price competitively and a healthy number of client enquiries all boosted optimism in August, according to anecdotal evidence.



S&P Global India Composite PMI®

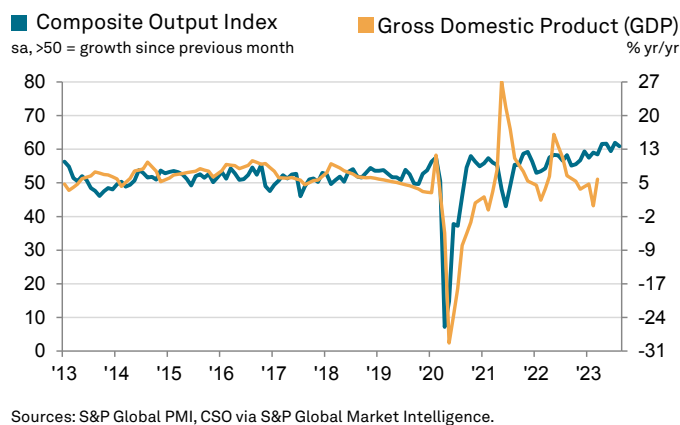
Growth of aggregate output slows, but remains among strongest in 12 years

There was a mild slowdown in growth of private sector activity across India during August. Despite falling from 61.9 in July to 60.9, the S&P Global India Composite PMI® Output Index* was indicative of a sharp rate of expansion that was among the strongest in over 12 years. Manufacturers overtook service providers as the best performers.

New orders placed with private sector companies rose further, taking the current stretch of growth to just over two years. The pace of expansion eased since July, but was sharp and one of the best seen since mid-2010. A quicker upturn in the manufacturing industry compared with a slowdown in the service economy.

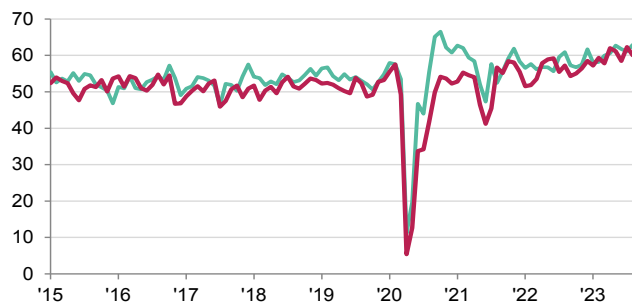
The aggregate rate of input cost inflation was little-changed since July, as a faster increase in the manufacturing sector was more than offset by a slowdown at service providers.

Charge inflation at the composite level quickened halfway through the second fiscal quarter. As was the case for input costs, the service economy registered the faster rate of increase.



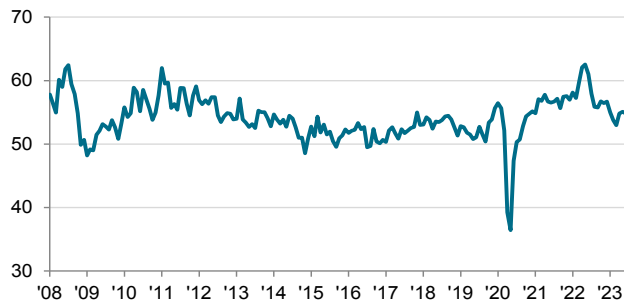
*Composite PMI indices are weighted averages of comparable manufacturing and services PMI indices. Weights reflect the relative size of the manufacturing and service sectors according to official GDP data.

■ 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@ihsmarkit.com.

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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. ihsmarkit.com/products/pmi.html.

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