News Release

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S&P Global India Services PMI®

Demand for Indian services strengthens despite pick-up in charge inflation

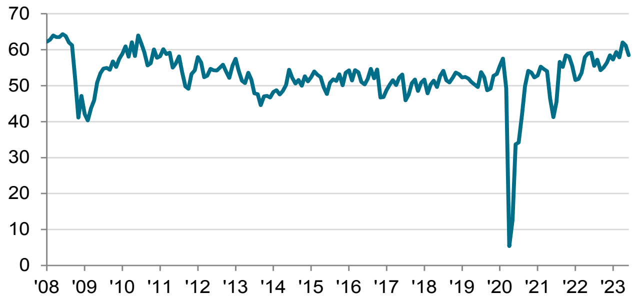
Key findings

Faster upturn in new business

Business activity growth eases to three-month low

Sharpest rise in output charges in close to six years

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



Source: S&P Global PMI.
Data were collected 12-26 May 2023.

Service providers in India continued to signal positive demand trends in June, which underpinned a stronger increase in new business volumes and further job creation. Output growth remained sharp, despite softening to a three-month low, while confidence towards growth prospects strengthened. On the price front, there were mixed trends. Input costs rose at a slower rate that was broadly aligned with its long-run average, but charge inflation quickened to a near six-year high.

As has been the case on a monthly basis for just under two years, the seasonally adjusted S&P Global India Services PMI® Business Activity Index posted in expansion territory during June. Despite falling from 61.2 in May to 58.5, the latest figure was consistent with a sharp pace of growth. According to survey members, the upturn stemmed from ongoing increases in new business, a healthy demand environment and marketing initiatives.

Service providers noted a sharp and quicker expansion in intakes of new business at the end of the first fiscal quarter. Positive demand trends, advertising and favourable market conditions were among the reasons cited by survey participants for the latest upturn in sales.

There was also an increase in new export business during June. The rise was the fifth in successive months, but modest and slower than in May.

June data showed a notable increase in prices charged for the provision of services in India. The rate of inflation was marked and the strongest seen in just under six years. The pass-through of greater input and staff costs to clients was the primary factor highlighted by firms for the latest upturn in charges.

Although input costs continued to increase in June, the overall rate of inflation softened since May and broadly converged towards its long-run average. One-in-ten firms noted higher operating expenses, citing greater food,

Comment

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

"Demand for Indian services continued to surge higher in June, with all four monitored sub-sectors registering quicker increases in new business inflows. This bullish pick-up in growth momentum supported a further sharp upturn in business activity and encouraged another uplift in employment figures, boding well to near-term growth prospects. Job creation in fact also reflected positive forecasts among companies about the year-ahead outlook for output.

"Service providers experienced a retreat in cost pressures, although business expenses rose again amid higher food and wage costs. Charge inflation showed some signs of stickiness, picking up only slightly from May but nevertheless reaching a near six-year high. Combined with manufacturing, output prices across the private sector increased at the sharpest pace in over a decade.

"The latest PMI results for output charges coupled with upside risks to food prices suggest that interest rates are highly unlikely to be reduced as 2023 progresses."

construction material and wage costs. The remaining panellists indicated no change since the previous month.

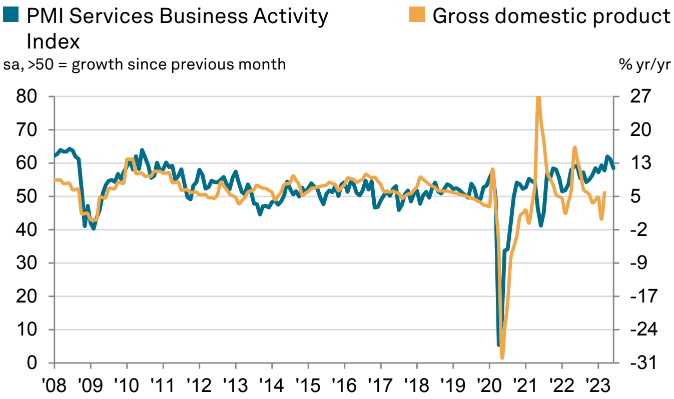
Services companies noted another increase in outstanding business volumes during June. Although moderate, the pace of accumulation quickened to a five-month high.

Subsequently, services employment expanded as companies sought to stay on top of their workloads and fulfil rising demand requirements. The rate of job creation was slight and the joint-fastest in six months.

Predictions of further demand strength, favourable market conditions and customer relations boosted business confidence in June. Companies were at their most upbeat towards growth prospects in 2023 so far.

Finally, sub-sector splits indicated that Consumer Services topped the rankings for most measures, registering the strongest increases in intakes of new work, business activity, employment and input costs.

Charge inflation was most pronounced in the Transport, Information & Communication category, despite this area bucking the wider trend and seeing a slowdown since May.



Sources: S&P Global PMI, CSO via S&P Global Market Intelligence.

S&P Global India Composite PMI®

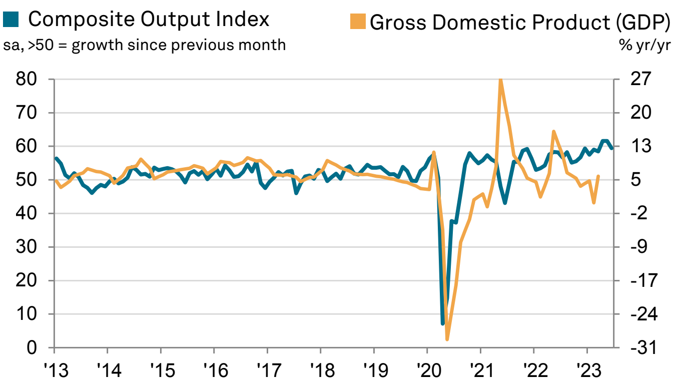
June sees softer increase in private sector output

Amid softer increases in both manufacturing production and services activity, there was a slower expansion in Indian private sector output during June. However, despite falling from 61.6 in May to 59.4, the S&P Global India Composite PMI® Output Index* was still indicative of a sharp rate of growth.

There was a substantial increase in aggregate sales in June. The rate of growth was little-changed since May as a pick-up in the service economy offset a slowdown at goods producers. Meanwhile, private sector employment rose further. As was the case for sales, manufacturers recorded a stronger expansion in jobs than service providers.

Input costs at the composite level rose at a solid rate that was broadly similar to those seen in the prior two months. Inflation was more pronounced in the service economy than in manufacturing.

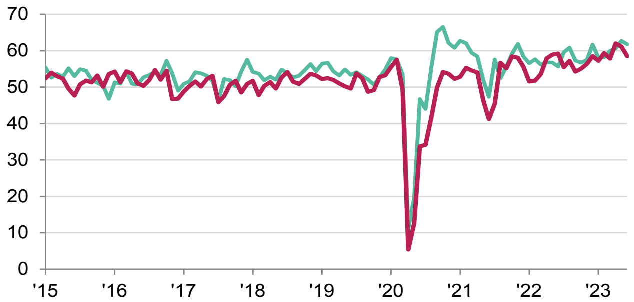
Trends for selling prices were similar in manufacturing and services, with both sectors noting slightly quicker increases. Subsequently, the combined rate of charge inflation accelerated to the strongest in over a decade.



Sources: S&P Global PMI, CSO via S&P Global Market Intelligence.

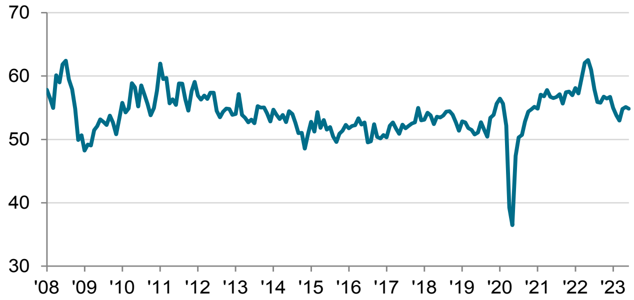
*Composite PMI indices are weighted averages of comparable manufacturing and services PMI indices. Weights reflect the relative size of the manufacturing and service sectors according to official GDP data.

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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