

## HSBC India Services PMI™ (with Composite PMI data)

Growth of activity in the Indian private sector economy slowed to weakest pace in ten months in September

### Summary

The headline seasonally adjusted HSBC Business Activity Index posted 55.6 in September, signalling a marked rise in Indian service sector output. However, the index fell for a third successive month to the weakest since November 2009 and was below the long-run average for the series. Manufacturing data also showed a slowdown in output gains. Overall, the HSBC India Composite Output Index fell to 56.5 in September, from 60.3 in August.

Indian service companies reported a solid rise in new work during September. Latest data marked the seventeenth successive month where an increase in new business has been recorded, although the latest expansion was the second-weakest in that period. Similarly, new order growth in manufacturing also slowed, with the subsequent rise in new business across both sectors the weakest in ten months.

Outstanding business in the Indian service sector was reported to have decreased fractionally, ending a sixteen-month period of growth. However, with backlogs at manufacturers continuing to rise, composite data recorded an overall marginal increase in outstanding business.

Employment in the Indian private sector economy was flat in September. Whilst the service sector added jobs (albeit at a slight rate), manufacturers continued to cut staffing levels.

Input price pressures continued to build in September. Service companies reported a second successive reduction in the rate of input cost inflation. However, a stronger rise in costs within the manufacturing industry meant that overall input price inflation was broadly unchanged since August.

Indian service companies remained optimistic over future business expectations in September. Many panellists indicated that they anticipate improved marketing initiatives and high quality services to boost new orders over the coming year. The degree of positive sentiment eased slightly since August, although was broadly in line with the long-run average for the series.

### Comment

Commenting on the India Services PMI survey, Frederic Neumann, Co-Head of Asian Economics Research at HSBC said:

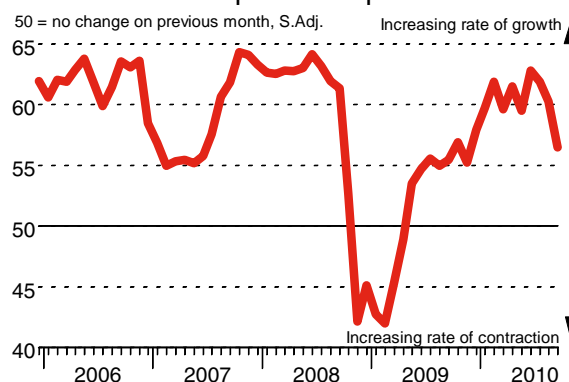
*"India's service industry is stepping off the throttle. Along with the manufacturing sector, growth is slowing, although the expansion continues. Price pressures, however, have not eased meaningfully, which represents a challenge for the central bank. The pace of hiring has slowed as well, even if it remains in positive territory. All this suggests a mild easing of demand growth since the red-hot pace earlier this year, but is hardly enough to relax the guard on inflation. Monetary officials may still need to tighten further to avert price pressure from becoming entrenched."*

### Key points

- Expansions in new business and activity slowed markedly since August.
- Services employment rose at slowest pace since April 2009.
- Both input and output price inflation weakened in the service sector.

### Historical Overview

#### HSBC India Composite Output PMI



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**Notes to Editors:**

The HSBC India Services PMI is based on data compiled from monthly replies to questionnaires sent to purchasing executives in around 350 private service sector companies. The panel has been carefully selected to accurately replicate the true structure of the services economy.

The HSBC India Composite PMI is a weighted average of the Manufacturing Output Index and the Services Business Activity Index, and is based on original survey data collected from a representative panel of over 800 companies based in the Indian manufacturing and service sectors.

Survey responses reflect the change, if any, in the current month compared to the previous month based on data collected mid-month. For each of the indicators the 'Report' shows the percentage reporting each response, the net difference between the number of higher/better responses and lower/worse responses, and the 'diffusion' index. This index is the sum of the positive responses plus a half of those responding 'the same'.

Diffusion indexes have the properties of leading indicators and are convenient summary measures showing the prevailing direction of change. An index reading above 50 indicates an overall increase in that variable, below 50 an overall decrease.

The Purchasing Managers' Index (PMI) survey methodology has developed an outstanding reputation for providing the most up-to-date possible indication of what is really happening in the private sector economy by tracking variables such as sales, employment, inventories and prices. The indices are widely used by businesses, governments and economic analysts in financial institutions to help better understand business conditions and guide corporate and investment strategy. In particular, central banks in many countries use the data to help make interest rate decisions. PMI surveys are the first indicators of economic conditions published each month and are therefore available well ahead of comparable data produced by government bodies.

Markit do not revise underlying survey data after first publication, but seasonal adjustment factors may be revised from time to time as appropriate which will affect the seasonally adjusted data series. Historical data relating to the underlying (unadjusted) numbers, first published seasonally adjusted series and subsequently revised data are available to subscribers from Markit. Please contact [economics@markit.com](mailto:economics@markit.com).

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