

HSBC India Services PMI™ (with Composite PMI data)

Growth of the Indian private sector economy gathered momentum in October

Summary

The latest PMI data pointed to a marked expansion of Indian private sector output. Activity in both the manufacturing and service sectors grew at faster rates in October, with the headline HSBC India Composite PMI posting 58.4, from 56.5 in September.

Companies in the Indian service sector were buoyed by a further increase in new work and a general improvement in economic conditions. Subsequently, the Business Activity Index rose from 55.6 in September to 56.2 in October.

Overall, new business increased markedly during October. However, the rate of growth was only slightly higher than that indicated in the previous survey period. A stronger expansion in new orders received by manufacturers offset a weaker rise in new work in the service sector.

Outstanding business at companies in the Indian service sector was reported to have fallen during October, with the rate of decline faster than in September. Manufacturers indicated that backlogs of work had risen in the month, while total outstanding business across both sectors fell.

Job creation in both manufacturing and services contributed to an overall rise in employment in the Indian private sector economy in October. Companies commented that they were aiming to increase capacity amid a sustained rise in workloads.

Inflationary pressures eased in the service sector during October, with both the Input Prices Index and the Prices Charged Index down on the previous month. However, manufacturers reported sharper rises in both input and output prices. Overall, the rate of input cost inflation was marked, and broadly unchanged since September, although the rise in charges was brought to a halt.

Indian service sector companies remained optimistic regarding future business expectations in October. Anecdotal evidence suggested that panellists believe that a general improvement in market conditions, alongside more advertising campaigns, good quality work and expanded operations, will help to boost activity over the coming year. However, the degree of positive sentiment eased slightly during the month, and was below the long-run series average.

Comment

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

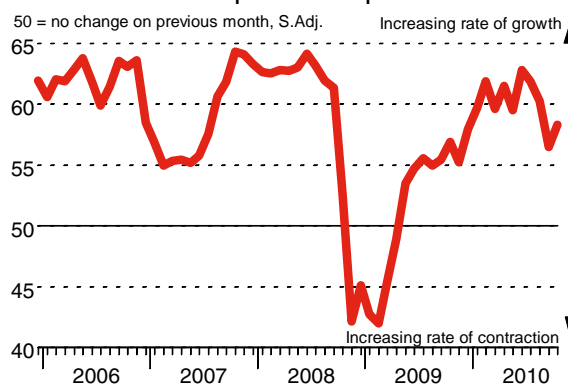
"India's service sector picked up steam in October, with firms continuing to add jobs. The details, however, suggest that services might cool in the coming months, with new business growth decelerating slightly and backlogs contracting. The RBI may take comfort in the fact that both output and input price pressures are easing, although this is not sufficient to raise a definitive green flag on inflation."

Key points

- Expansion of new business in the service sector continued to slow.
- Overall employment rose, after remaining unchanged in September.
- Falling charges in services offset an increase in manufacturers' output prices.

Historical Overview

HSBC India Composite Output PMI



For further information, please contact:

HSBC

Frederic Neumann, Co-Head of Asian Economic Research

Telephone +852-2822-4556

Email fredericneumann@hsbc.com.hk

Rajesh Joshi

Telephone +91-22-2268-1695

Email rajeshjoshi@hsbc.co.in

Daylon D Cruz

Telephone +91-22-2268-1344

Email daylondcruz@hsbc.co.in

Markit

Sarah Ledger, Economist

Telephone +44-1491-461-050

Email sarah.ledger@markit.com

Caroline Lumley, Corporate Communications

Telephone +44-20-7260-2047

Email caroline.lumley@markit.com

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.

HSBC:

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