

HSBC India Services PMI™ (with Composite PMI data)

Growth of Indian private sector output slowed since February, but remained marked

Summary

March data signalled a further sharp expansion of Indian private sector output, with the headline HSBC Composite PMI posting 60.0, marginally lower than February's 61.0. The slowdown of growth was evident in both the manufacturing and service sectors, although was more prevalent in the latter. Nonetheless, the latest increase in service sector activity remained marked, and above the long-run series average.

Indian companies reported a marked rise in new business during March, with growth now sustained since May 2009. However, the latest expansion of new business slowed slightly from February's eight-month high, reflective of a weaker rise in new work intakes by service providers. In contrast, growth of new orders received by manufacturers accelerated.

March data signalled the sharpest rise in outstanding business in nine months. Panellists in both the manufacturing and service sectors indicated a stronger accumulation of work in hand during the month, indicating that pressures on operating capacity increased.

Employment in the Indian private sector rose at the fastest rate since June 2010 during March. Service companies noted a rise in staffing levels that was the fastest in the current two-year sequence of job creation. However, a lack of available labour to fill vacant positions led to an overall reduction in employment in the manufacturing sector.

Inflationary pressures increased in March, as both input and output prices rose at stronger rates than in the previous survey period. The increase in input prices was only marginally weaker than January's series record high, while the latest rise in charges was the fastest since July 2008.

Indian service providers remained optimistic regarding future business prospects in March. Over half of the companies surveyed expect activity to increase over the next twelve months, boosted by growth of new work intakes. Ongoing improvements in general economic conditions and increased marketing activity are projected to support the rise in new business. The degree of positive sentiment eased slightly during the month, but remained the second-strongest in nine months and above the long-run trend.

Comment

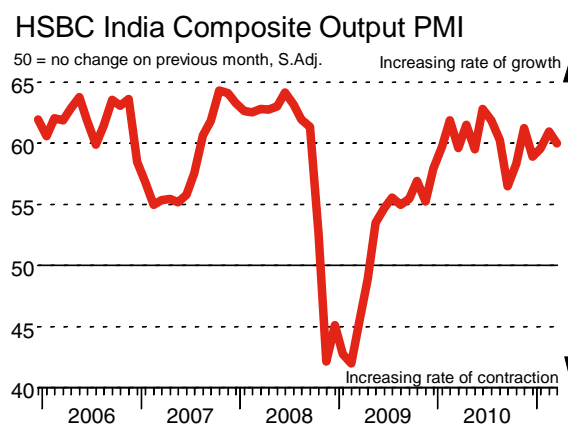
Commenting on the India Services PMI survey, Leif Eskesen, Chief Economist for India & ASEAN at HSBC said:

"The growth momentum in the services sector remains strong, although it eased a bit in March. However, input costs and prices charged are still trending up and at a faster pace. This highlights that inflation remains the dominant concern, not growth, calling for RBI to continue the tightening cycle."

Key points

- Second-fastest expansion of new business in nine months.
- Employment rose moderately, supported by job creation in the service sector.
- Inflationary pressures increased.

Historical Overview



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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.

HSBC:

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