

HSBC India Services PMI™ (with Composite PMI data)

Growth of Indian private sector output remains strong in April. Input cost inflation eases to five-month low

Summary

Indian private sector output continued to rise sharply in April, with the pace of expansion quickening slightly since March. This was signalled by a rise in the HSBC India Composite Index, covering manufacturing and services, from 60.0 to 60.7.

The uptick in growth reflected stronger expansions of activity in both manufacturing and services. The improvement in the latter was highlighted by a slight rise in the seasonally adjusted Business Activity Index from 58.8 to 59.2, a level above the long-run series average of 58.2 and one indicative of a sharp rate of activity growth in the service sector.

New business received by Indian service providers rose steeply in April, although the pace of growth eased to a three-month low. This, coupled with a weaker increase in manufacturers' new orders, meant that overall new work rose at the slowest rate since January.

Volumes of work-in-hand at Indian service providers fell for the first time in five months during April, albeit marginally. In contrast, manufacturers recorded a moderate rise in work-in-hand, which helped support the composite measure above the 50.0 no-change mark for the sixth month in succession.

Service sector employment in India rose moderately during April, although the rate of growth eased since March. Consequently, the overall rate of employment growth slowed from its nine-month peak.

Rates of input cost inflation eased across both sectors monitored by the PMI surveys in April, with service providers recording the slowest rise in cost burdens for five months. As a result, the rate of input price inflation at the composite level eased to the weakest since last November.

Indian service providers attempted to offset part of the increase in input costs by raising their prices charged to customers. The pace of output price inflation was solid, and quickened to the fastest for a year. A broadly similar rate of charge inflation was recorded in the manufacturing sector.

Indian service sector companies were confident about the outlook for business activity in the year ahead. Despite dipping to a three-month low, the degree of optimism was strong. Positive sentiment was linked to future new product developments, and hopes that market demand will continue to firm in the next twelve months. Optimism was recorded across all six sectors monitored by the survey.

Comment

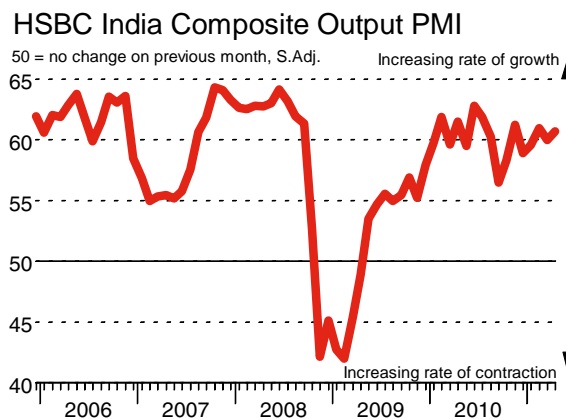
Commenting on the India Services PMI survey, Leif Eskesen, Chief Economist for India & ASEAN at HSBC said:

"The pick up in business activity and still strong momentum for new business confirms the solid underlying growth in the economy. But, the other side of the coin is rising demand-led inflation, with prices charged increasing even as sequential growth in input costs finally eased. The RBI needs to continue its tightening cycle to firmly anchor inflation expectations."

Key points

- Overall new business growth eases to three-month low, but remains strong nonetheless.
- At the composite level, input prices rise at the slowest rate since last November.
- Service sector expectations remain strong.

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.

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