

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

Marked growth of Indian private sector output recorded in June

### Summary

Indian private sector output continued to rise at a marked rate in June, with the HSBC India Composite Index – which covers both the manufacturing and service sectors – posting 56.8 in June. However, the latest reading was below May's 57.7, posting its lowest level in nine months.

A marginally faster expansion in service sector activity was not sufficient to offset a slowdown in the rate of output growth at manufacturers, which was hampered by a lower rise in new orders, as well as labour shortages and power cuts. The seasonally adjusted Business Activity Index – which measures service sector activity – posted 56.1, from 55.0 in May.

Indian service providers reported a sharp increase in new business received during June, attributing this to ongoing improvements in general market conditions and a strengthening of demand. Growth of new work intakes regained momentum from May's seven-month low and was in line with the long-run trend for the series. The increase in new orders received by manufacturers was substantial, but slowed to the weakest in six months.

June data signalled a negligible decline in levels of outstanding business in the Indian private sector. A reduction in work-in-hand at service companies offset the marginal rise in backlogs at manufacturers.

Employment in the Indian economy rose for a ninth month running in June. While companies in both the manufacturing and service sectors indicated increased requirements for staff, only the latter translated this in to a rise in staffing levels. Shortages of available labour to fill vacant positions led to an overall reduction in employment at manufacturers.

Inflationary pressures in the Indian private sector eased marginally during June. The latest increase in overall costs slowed slightly since May, but a faster rise in input prices at manufacturers limited the extent of the moderation. Charges increased at a weaker rate in both the manufacturing and service sectors, but the latest rate of output price inflation remained above the long-run series trend.

June data signalled that Indian service companies remained optimistic that activity levels would rise over the next twelve months. Furthermore, the degree of positive sentiment strengthened to a four-month high. Panellists commented that they expect ongoing improvements in general economic conditions and increased marketing initiatives to support a rise in new business and, therefore, activity.

### Comment

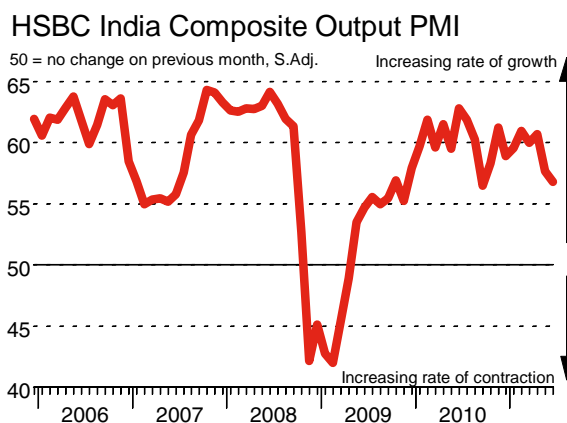
Commenting on the India Services PMI survey, Leif Eskesen, Chief Economist for India & ASEAN at HSBC said:

*"Services are showing signs of resilience, with business activity and new business improving over the previous month, despite policy tightening and high inflation. While input costs and prices charged grew at a slightly slower pace, inflation pressures remain significant and persistent. The RBI, therefore, has little choice but to continue its tightening cycle."*

### Key points

- At 56.8, the seasonally adjusted Composite Output Index fell slightly since May.
- Overall new order growth accelerated.
- Positive sentiment regarding future business expectations in the service sector rose to strongest in four months.

### Historical Overview



**For further information, please contact:**

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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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