# HSBC India Services PMI<sup>TM</sup> (with Composite PMI data)

## Marked slowdown in growth of Indian private sector activity in March

#### **Summary**

Solid growth of Indian private sector output was recorded in March. However, posting 53.6, the HSBC India Composite Index – which covers both the manufacturing and service sectors – fell from February's 57.8 to a four-month low.

The seasonally adjusted HSBC Services Business Activity Index posted 52.3 in March, down from 56.5 in February. The latest reading signalled modest growth of output in the Indian service sector, but the rate of expansion eased for a second successive month. The latest increase in manufacturing production also slowed.

Both manufacturers and service providers reported weaker rises in new business in March. Service companies noted that rising prices had restricted the latest increase in new business. Overall, the rate of new order expansion slowed to a four-month low.

Backlogs of work at Indian private sector companies rose for a ninth consecutive month in March. While production at manufacturers was impacted by power cuts, leading to the fastest accumulation of work-in-hand in the series history, outstanding business in the service sector was unchanged on the month.

March data signalled a marginal increase in employment in the Indian service sector. Job creation has been recorded in three of the last four survey periods, although the gains in staffing have been marginal in each instance. Manufacturers also recorded a rise in employment.

Overall input price inflation accelerated slightly since February. The latest increase in costs was marked and above the long-run trend. Manufacturers recorded the sharper rise in input prices. Meanwhile, overall charges increased at the weakest rate in nine months. This reflected a weaker rate of charge inflation in the manufacturing sector. Service sector output prices continued to rise solidly.

Indian service companies were optimistic in March that activity would rise over the next year. Expected gains in new business due to the high quality of services provided and anticipated improvements in markets conditions are forecast to support growth. However, confidence sunk sharply since February, largely as concerns over the latest budget announcement weighed on sentiment.

#### Comment

Commenting on the India Services PMI<sup>™</sup> survey, Leif Eskesen, Chief Economist for India & ASEAN at HSBC said:

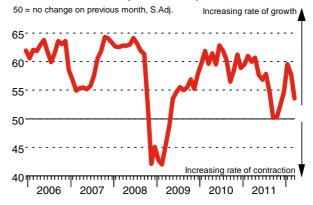
"Activity in the service sector decelerated notably in March, although it is still expanding. New business also ticked in at a slower pace and the sentiment gauge took a dive. Even so, prices charged and input prices rose at a faster pace and sequential inflation remained above the historical average. With inflation pressures still firm, the RBI will have to approach the easing cycle cautiously, and it may have to stay on the sidelines if the inflation outlook does not improve significantly soon."

#### **Key points**

- Weaker rise in new business contributes to slower expansion of output
- Marginal increase in overall employment
- Overall input cost inflation accelerates slightly

## **Historical Overview**

## **HSBC India Composite Output PMI**



Sources: Markit, HSBC.





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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 <a href="mailto:economics@markit.com">economics@markit.com</a>.

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