

HSBC India Services PMI™ (with Composite PMI data)

Services activity expands at sharper pace in August, but overall private sector growth little changed

Summary

The HSBC India Composite Output Index posted 54.3 in August, broadly unchanged from the July reading and pointing to a further improvement in the Indian private sector activity. The rate of increase was marked, and the slowest in four months.

After adjusting for seasonal factors, the headline HSBC Services Business Activity Index – which is based on a single question asking respondents to report on the actual change in business activity at their companies compared to one month ago – posted 55.0 in August, up from 54.2 in July. Meanwhile, manufacturing companies signalled a solid increase in production, but the slowest since November 2011 as short supply of power negatively affected production.

Private sector companies in India signalled a further rise in new orders during August. The pace of increase was marked and the same as that recorded in July. The volume of new total business expanded faster at service providers as power shortages continued to impact negatively on manufacturers, it was reported.

Staffing levels were increased in the Indian private sector in August. The pace of expansion was modest at services firms, but job creation at manufacturers was the fastest in the series history.

Backlogs of work in the Indian private sector increased for the first in three months during August. That said, the rate of expansion was only modest. Panellists in the service sector stated that outstanding business was accumulated in line with stronger sales growth and manufacturers linked the latest increase to persistent powercuts.

Input cost inflation persisted in the Indian private sector in August. Although steep, the rate of increase eased to the slowest since June 2010 and was below its long-run average. Whereas the rate of inflation at service providers was solid, in the manufacturing sector it remained sharp.

Furthermore, output prices increased during August, extending the current inflationary period to 39 months. That said, the rate of increase was the slowest since March. Manufacturing and service companies both signalled higher charges with the rate of inflation faster in the manufacturing sector.

Optimism was signalled in the Indian service sector amid reports of planned increase in marketing.

Comment

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

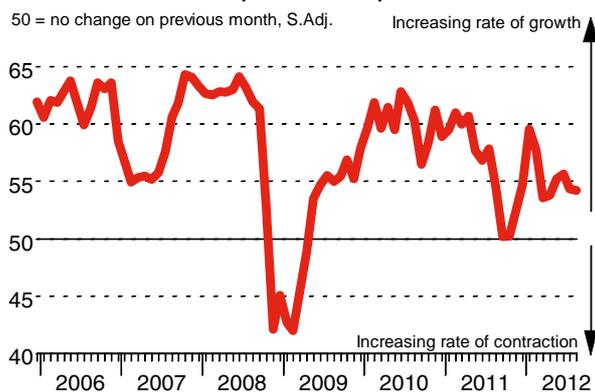
“The service sector continues to demonstrate resilience with activity picking up pace in August. Moreover, growth in new orders and employment are also on the rise. Encouragingly inflation readings eased again, but higher wage costs and solid demand are keeping inflation pressures firm. With inflation risks still lingering, partly on the back of deficient monsoons, and policy inaction from Delhi persisting, the RBI has little room and appetite for rate cuts.”

Key points

- Fastest expansion in services new business since February
- Job creation recorded for sixth successive month in service sector
- Private sector input cost inflation eases to slowest pace since June 2010

Historical Overview

HSBC India Composite Output PMI



Sources: Markit, HSBC.

For further information, please contact:

HSBC

Leif Eskesen, Chief Economist for India & ASEAN

Telephone +65-6239-0840

Email leifeskesen@hsbc.com.sg

Rajesh Joshi

Telephone +91-22-2268-1695

Email rajeshjoshi@hsbc.co.in

Neha Hora

Telephone +91-22-2268-5337

Email nehahora@hsbc.co.in

Markit

Pollyanna De Lima, Economist

Telephone +44-1491-461-075

Email pollyanna.delima@markit.com

Caroline Lumley, Corporate Communications

Telephone +44-20-7260-2047

Mobile +44-781-581-2162

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.

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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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