

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

### Private sector activity expands at slowest rate in 12 months

#### Summary

The HSBC India Composite Output Index posted 53.2 in November, slightly down from 53.5 in October, signalling a further improvement in activity at Indian private sector firms. Although solid, the rate of expansion was the slowest in 12 months. Manufacturing and services companies both recorded increases, although power shortages hampered manufacturing production.

The headline HSBC Services Business Activity Index 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. After adjusting for seasonal variations, the index posted 52.1 in November, down from 53.8 in the previous month to signal the slowest rate of expansion in the current 13-month sequence. Anecdotal evidence suggested that output growth reflected higher order book volumes.

Continuing the trend that started in May 2009, the volume of incoming new work in the Indian private sector rose during November. Although sharp, the pace of expansion was the slowest in one year. Services firms linked growth in new orders to rising demand, increased marketing and maintained quality of services.

Employment at private sector companies increased during November, the ninth successive monthly rise registered. Although manufacturing and services firms both signalled higher employment, the overall rate of job creation was only slight. Anecdotal evidence suggested that payroll numbers were increased to meet production requirements.

November data signalled persistent inflationary pressure in the Indian private sector as input and output prices both increased. Rates of inflation were sharp and solid respectively. According to respondents raw materials, fuel, gold, transport and labour costs were higher.

Meanwhile, the volume of work-in-hand (but not yet completed) at private sector companies in India rose for the fourth consecutive month during November. With manufacturing companies reporting an accumulation but service providers signalling a depletion, the overall pace of increase was only slight.

Optimism was signalled in the Indian service sector during November. Moreover, the degree of positive sentiment was the strongest in three months. Activity in the upcoming year is forecast to increase in line with maintained brand reputation, stronger marketing and anticipated rises in demand.

#### Comment

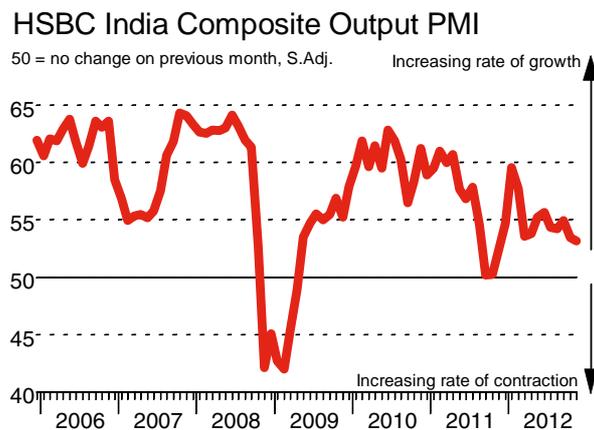
Commenting on the India Services PMI™ survey, Leif Eskesen, Chief Economist for India & ASEAN at HSBC said:

*"Business activity expanded at a slower pace in November and new business also grew at a slower clip, which in both cases may partly reflect the fewer working days due to the Diwali. However, the forward-looking business expectation index improved notably, with some respondents reporting of planned business expansion. Despite the reported moderation in growth, inflation held steady due to firm raw material, fuel and labour cost pressures. Combined with the stronger growth and inflation readings from the manufacturing PMI, these numbers suggest that the RBI should be inclined to continue to hold fire."*

#### Key points

- Private sector activity expands solidly
- Growth in private sector new total business slowest in one year
- Degree of optimism in the service sector at three-month high

#### Historical Overview



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 [economics@markit.com](mailto:economics@markit.com).

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