

HSBC India Services PMI™ (with Composite PMI data)

Private sector output increases sharply

Summary

Marking a 45-month expansionary sequence, private sector output in India increased during January. The HSBC India Composite Output Index posted 56.3 in January, unchanged from December's reading. With manufacturing and services companies both signalling output growth, the overall rate of expansion was sharp and the joint-fastest in 11 months.

The seasonally adjusted HSBC Services Business Activity Index posted 57.5 in January, up from 55.6 in December. This signalled a sharp expansion in output, and one that was the fastest since January last year. According to panel members, business activity increased in tandem with rising volumes of incoming new work. Growth in activity has now been sustained for 15 successive months.

As has been observed since May 2009, total new business in the Indian private sector increased during January. The overall rate of expansion was sharp and the fastest in 11 months. Whereas growth in the manufacturing sector eased, services new orders rose at the fastest pace in 18 months.

The level of unfinished work at private sector firms in India rose slightly during January. Panellists stated that production growth and persistent power shortages both fed through to the latest rise in backlogs of work.

Payroll numbers in the Indian private sector rose for the eleventh month running in January, amid evidence of increased volumes of incoming new work. That said, the rate of job creation was only slight and broadly in line with that seen in December.

Input prices at private sector companies in India rose for the forty-sixth successive month during January, amid reports of increasing fuel, labour and raw material costs. In the service sector input prices rose solidly, while manufacturers indicated a robust increase.

Subsequently, private sector firms increased their selling prices for a further month. The overall rate of inflation was solid, and broadly in line with that seen in December. Output prices have increased throughout the past 44 months.

Services firms in India remained optimistic regarding activity levels in the upcoming year, but the degree of confidence was the lowest registered in three months. Approximately 42% of services companies predict overall activity at their units to increase, while just 3% forecast a decrease. Anticipated rises in demand, increased marketing and maintained brand reputation are projected to contribute to higher output.

Comment

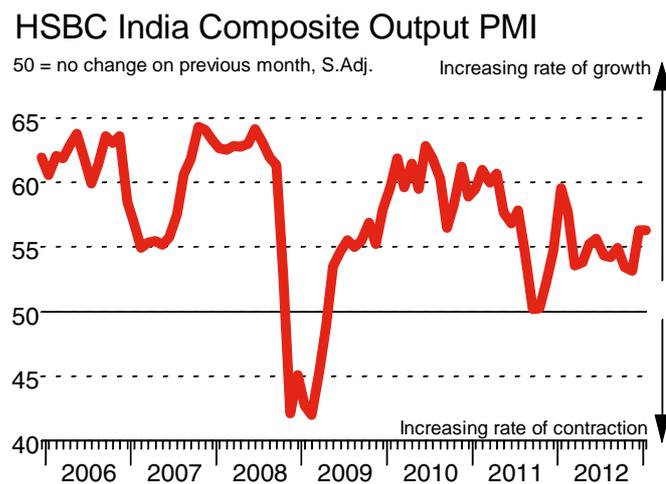
Commenting on the India Services PMI™ survey, Leif Eskesen, Chief Economist for India & ASEAN at HSBC said:

"Service sector activity continued to pick up pace led by a faster inflow of new business. With stepped up hiring, companies broadly managed to contain the rise in backlogs of work. Inflation readings held broadly steady, with fuel, raw material and labour cost pressures still simmering. These numbers underscore the need for the RBI to approach policy easing with caution."

Key points

- New orders growth in the private sector at 11-month high
- Business activity in the service sector expands at fastest rate in 12 months
- Private sector employment increases for eleventh month running

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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