

HSBC India Services PMI™ (with Composite PMI data)

Growth in private sector output slowest since October 2011

Summary

Output in the Indian private sector rose during March, extending the current expansionary sequence to 47 months. However, the HSBC India Composite Output Index fell from 54.8 in February to 51.4 indicating that activity increased slightly, and at the slowest pace in 17 months. Output growth eased across both the manufacturing and service sectors.

After adjusting for seasonal factors, the headline HSBC Services Business Activity Index registered 51.4 in March, down from 54.2 in February, signalling a further monthly expansion of services output. That said, the latest increase in business activity was only slight as new business growth eased. Moreover, the index posted well below the long-run series average (57.2).

New work intakes in the Indian service sector rose for the seventeenth successive month during March. Despite being solid, the pace of expansion eased to the slowest in the current sequence of growth. Manufacturing firms also signalled a weaker increase in new orders.

March data pointed to a further rise in outstanding business levels across the Indian private sector. Manufacturing companies indicated that unfinished business volumes were accumulated in tandem with persistent powercuts. Services companies mentioned that greater inflows of new business resulted in higher backlogs of work. In response to higher workloads, service sector firms added to their staff numbers during March, marking a 13-month sequence of employment growth. Manufacturers also signalled increased payroll numbers but, as was the case with services, the rate of job creation was moderate.

Continuing the trend that has been observed throughout the past four years, input prices in the Indian service sector rose during March. The rate of cost inflation was solid, but the slowest in the year to date. Subsequently, services companies increased their selling prices. The rate of output charge inflation was, however, moderate and weaker than February.

Optimism was signalled by Indian service providers in March. The degree of confidence was the strongest registered since December 2012. Service sector firms linked positive sentiment to expectations of stronger demand and planned investment in marketing. A number of companies also expect business expansion plans to support activity growth in the coming year.

Comment

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

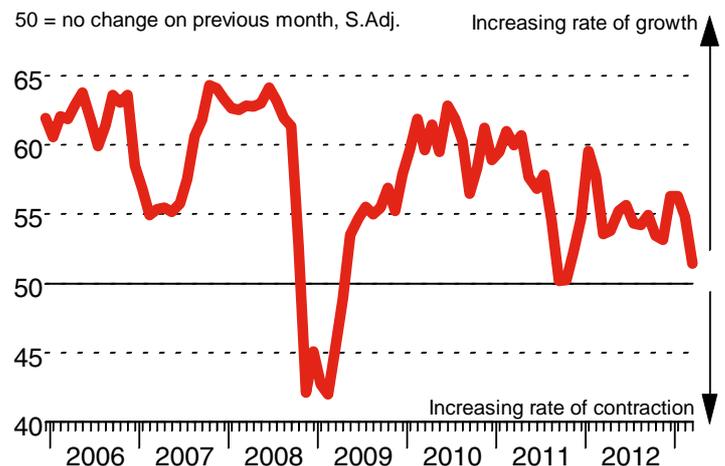
"Growth in service sector activity slowed notably due to a deceleration in new business flows. Moreover, backlogs of work and hiring rose at a slower pace. Even so, businesses remained confident about the future. Encouragingly, input prices and prices charged inflated less fast. Despite this the scope for further rate cuts is limited, and the next cut may well be the last."

Key points

- Manufacturing and services firms register only slight rise in output
- Private sector new orders expand solidly, but growth eases
- Service providers signal further optimism

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.

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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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