

HSBC India Services PMI™ (with Composite PMI data)

Slowest expansion of private sector for 18 months in April

Summary

As has been the case throughout the past four years, output in the Indian private sector rose in April. However, the HSBC India Composite Output Index was down to 50.5, from 51.4 in March. The latest reading indicated that activity increased marginally and at the slowest pace since October 2011.

The seasonally adjusted HSBC Business Activity Index fell from 51.4 in March to 50.7, pointing to marginal growth in service sector activity that was the slowest in the current one-and-a-half year expansionary period. Moreover, the index fell considerably from the average reading registered in Q1 2013 (54.3). Companies mentioned that slower activity growth reflected weaker gains in incoming new work.

New business placed at services and manufacturing firms in India rose during April. However, the rates of expansion eased in both cases, with manufacturers citing powercuts and service providers mentioning extreme weather and challenging market conditions. Subsequently, incoming new work across the private sector expanded moderately, and at the slowest pace in 17 months.

Staffing levels in the Indian private sector rose during April. That said, the rate of job creation was modest and the slowest in the current 14-month sequence of hiring. Growth in payroll numbers eased in both the manufacturing and service sectors.

April data pointed to higher backlogs of work in the Indian private sector. The rate of accumulation was, however, marginal and the slowest in seven months. Service providers stated that delayed payments from clients had resulted in increased levels of unfinished business, whereas manufacturers linked the accumulation to persistent powercuts.

A further rise in input prices was registered in the Indian private sector during April, the forty-ninth in successive months. The rate of cost inflation remained solid, but was the slowest since November 2009. Among other factors, panel members reported higher raw material, petrol and labour costs. Output prices also increased, with the overall rate of charge inflation moderate and the slowest in 30 months. The rates of increase in average selling prices were slower at both manufacturers and service providers.

Companies operating in the Indian service sector remained optimistic towards output growth in the short-term. The degree of positive sentiment was little-changed from March and remained strong.

Surveyed firms expect increased marketing, maintained brand reputation and forecasts of strong demand to lead to increased activity in the upcoming year. Optimism has been signalled in each month since the survey started in December 2005.

Comment

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

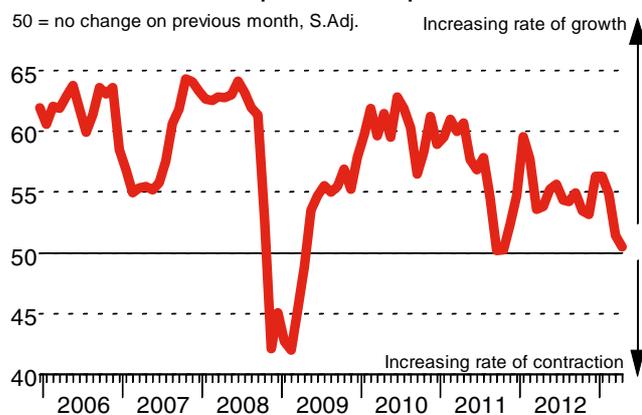
“Activity in the service sector decelerated further in April led by slower growth in new business. This led to a slowdown in employment growth and allowed businesses to better keep pace with their order books. Encouragingly, inflation pressures eased further, which has allowed the RBI to focus more on growth risks.”

Key points

- Output expands at slower rates in the manufacturing and service sectors
- New business growth at private sector firms decelerates for third month running
- Rates of input and charge inflation cool

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 economics@markit.com.

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