

News Release

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S&P Global India Services PMI[®]

April PMI data point to stronger service sector growth and mounting price pressures

Key findings

Growth of new business and output at five-month highs

Selling prices rise at fastest rate since July 2017...

...amid a near-record upturn in input costs

April data showed that Indian service sector growth continued to gain momentum, with a surge in incoming new work boosting business activity and supporting a renewed increase in employment. At the same time, there was an intensification of inflationary pressures, with a near-record upturn in input costs underpinning the strongest rise in output charges in just under five years. Inflation concerns continued to dampen business confidence.

At 57.9 in April, up from 53.6 in March, the seasonally adjusted S&P Global India Services PMI[®] Business Activity Index highlighted a sharp rate of expansion that was the fastest since last November. Anecdotal evidence indicated that output was boosted by higher bookings, the easing of pandemic-related restrictions and favourable demand conditions.

Indeed, new business inflows expanded further in April, taking the current sequence of growth to nine months. The latest rise in sales was sharp and the strongest since November 2021. Survey members continued to suggest that the lifting of COVID-19 restrictions led to greater consumer footfall and a general improvement in demand.

Owing to a combination of recovering demand and sharp cost pressures, Indian service providers lifted their selling prices again at the start of fiscal year 2022/23. The rate of charge inflation was marked and the highest in close to five years.

April data pointed to soaring operating expenses at Indian services firms, with survey participants reporting higher chemical, food, fuel, labour, material and retail costs. Having accelerated from March, the overall rate of inflation was sharp and the second-strongest since data collection started in December 2005.

Inflation concerns restricted business confidence in April. Although still positive overall, the overall level of sentiment slipped from March and was much lower than its long-run

S&P Global India Services Business Activity Index
sa, >50 = growth since previous month



Source: S&P Global.
Data were collected 11-27 April 2022.

Comment

Pollyanna De Lima, Economics Associate Director at S&P Global, said:

"The Indian service economy followed manufacturing in gaining growth momentum at the start of fiscal year 2022/23.

"In isolation, the PMI data for the service sector were mostly encouraging, as surging demand underpinned quicker increases in new business inflows and output. Employment rose for the first time in five months, but business sentiment was restrained by inflation concerns.

"On this front, the latest results showed a resurgence in price pressures during April. Service providers reported having paid more for food, fuel and materials, with some mentions of higher wage costs also pushing up overall expenses. The overall rate of inflation quickened to the second-highest in the survey history, leading companies to hike their selling prices to the greatest extent in close to five years.

"Consumer Services and Finance & Insurance were the top-performing areas of the service economy, while Real Estate & Business Services was the only sub-sector to post contractions in sales and output."

PMI[®]

by S&P Global

average.

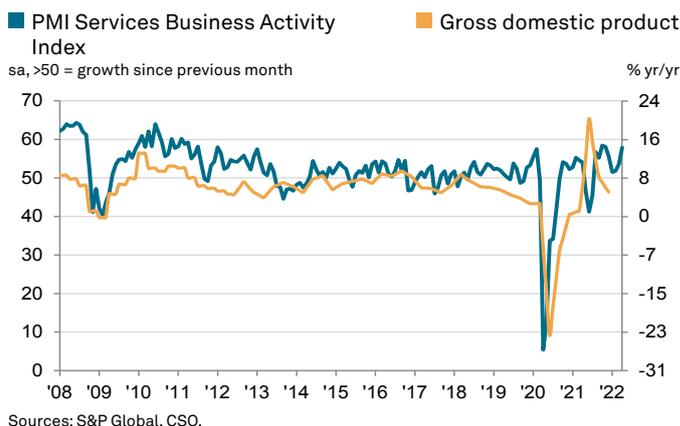
Elsewhere, the latest results showed sustained capacity pressures among service providers, as outstanding business volumes rose further. According to monitored firms, the upturn reflected robust demand conditions. However, the overall pace of backlog accumulation was slight and little-changed from March.

Yet, companies resumed their hiring efforts in April, as seen by the first increase in employment since last November. Those firms that took on extra staff linked the rise to ongoing growth of new business.

International demand for Indian services worsened in April, a trend that has been recorded in each month since the onset of COVID-19 in March 2020. New orders from abroad fell at a marked pace that was the quickest since September 2021.

Granular data highlighted Consumer Services and Finance & Insurance as the best-performing sub-sectors in April, where growth of both new orders and business activity quickened substantially from March. Real Estate & Business Services was the only segment to record contractions in sales and output.

With regards to inflation, the sharpest increase in input costs was noted in the Consumer Services sector. Meanwhile charge inflation was most pronounced in Transport, Information & Communication.



S&P Global India Composite PMI®

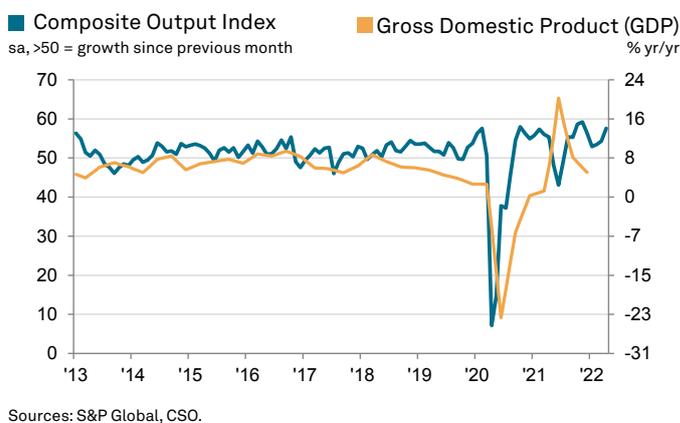
Private sector recovery shifts into higher gear

Faster increases in both manufacturing production and services activity contributed to a stronger expansion in private sector output across India. The S&P Global India Composite PMI Output Index* rose from 54.3 in March to 57.6 in April, highlighting the quickest pace of growth in five months.

Output was boosted by ongoing increases in new work intakes, with private sector sales also rising at the fastest rate since last November. Growth accelerated at both goods producers and service providers.

April data pointed to renewed job creation in the private sector, with slight increases in employment seen among manufacturing firms and their services counterparts.

Aggregate input costs continued to increase in April, with the overall rate of inflation climbing to its highest in over 11 years. The acceleration was broad-based across the manufacturing and service sectors. Concurrently, output charges at the composite level rose at the strongest pace since early-2013.



*Composite PMI indices are weighted averages of comparable manufacturing and services PMI indices. Weights reflect the relative size of the manufacturing and service sectors according to official GDP data.

■ Manufacturing PMI Output Index
■ Services PMI Business Activity Index
 sa, >50 = growth since previous month



Source: S&P Global.

India Services PMI Input Prices Index
 sa, >50 = inflation since previous month



Source: S&P Global.

Survey methodology

The S&P Global India Services PMI[®] is compiled by S&P Global from responses to questionnaires sent to a panel of around 400 service sector companies. The sectors covered include consumer (excluding retail), transport, information, communication, finance, insurance, real estate and business services. The panel is stratified by detailed sector and company workforce size, based on contributions to GDP. Data collection began in December 2005.

Survey responses are collected in the second half of each month and indicate the direction of change compared to the previous month. A diffusion index is calculated for each survey variable. The index is the sum of the percentage of 'higher' responses and half the percentage of 'unchanged' responses. The indices vary between 0 and 100, with a reading above 50 indicating an overall increase compared to the previous month, and below 50 an overall decrease. The indices are then seasonally adjusted.

The headline figure is the Services Business Activity Index. This is a diffusion index calculated from a question that asks for changes in the volume of business activity compared with one month previously. The Services Business Activity Index is comparable to the Manufacturing Output Index. It may be referred to as the 'Services PMI' but is not comparable with the headline manufacturing PMI figure.

The Composite Output Index is a weighted average of the Manufacturing Output Index and the Services Business Activity Index. The weights reflect the relative size of the manufacturing and service sectors according to official GDP data. The Composite Output Index may be referred to as the 'Composite PMI' but is not comparable with the headline manufacturing PMI figure.

Underlying survey data are not revised after publication, but seasonal adjustment factors may be revised from time to time as appropriate which will affect the seasonally adjusted data series.

For further information on the PMI survey methodology, please contact economics@ihsmarkit.com.

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About PMI

Purchasing Managers' Index[®] (PMI[®]) surveys are now available for over 40 countries and also for key regions including the eurozone. They are the most closely watched business surveys in the world, favoured by central banks, financial markets and business decision makers for their ability to provide up-to-date, accurate and often unique monthly indicators of economic trends. ihsmarkit.com/products/pmi.html.

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