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# IHS Markit India Services PMI®

Including IHS Markit India Composite PMI®

## Service providers signal sharp increases in new business and output in December

### Key findings

Business activity and sales rise at softer, albeit marked, rates...

...but spare capacity leads to job shedding

Inflationary pressures recede in December

Data were collected 06-21 December 2021.

Indian services companies continued to report growth of sales and business activity in December. Rates of expansion moderated, but were nevertheless marked by historical standards. However, despite robust gains in new work in recent months, companies were able to stay on top of workloads and as a consequence reduced headcounts at the end of 2021.

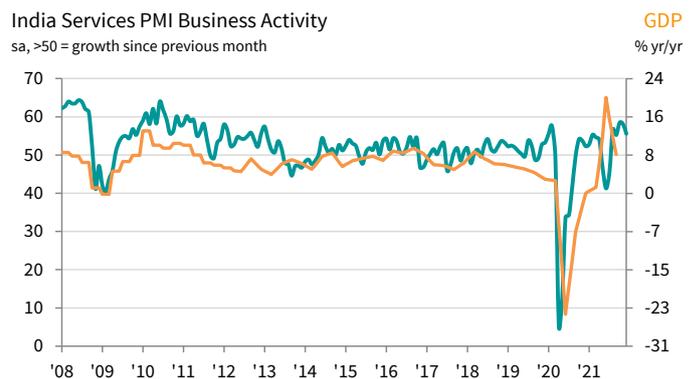
The latest results also showed an improvement in business confidence, although sentiment remained subdued as several firms were concerned about price pressures and the possibility of new waves of COVID-19. Rates of input cost and output charge inflation eased in December, however.

Despite falling from 58.1 in November to a three-month low of 55.5 in December, the seasonally adjusted India Services Business Activity Index was still consistent with a marked rate of economic expansion. The upturn was often associated with improving market conditions and accommodative demand.

Monitored companies reported a further increase in new business intakes during December. The rise was the fifth in successive months and marked, but softened to a three-month low.

Underlying data suggested that the latest increase in new orders was centred on the domestic market, as new business from abroad fell further. The deterioration in international demand was linked to COVID-19 restrictions, particularly around travelling.

Indian services companies continued to clear their outstanding business at the end of 2021, with the latest fall the fifth in



consecutive months. The rate of depletion was moderate, however, and the weakest over this period.

December data showed renewed job shedding in the service economy, but the rate of contraction was only slight. In fact, the vast majority of surveyed companies (96%) left payroll numbers unchanged from November. Firms generally suggested that employment levels were sufficient to cope with current workloads.

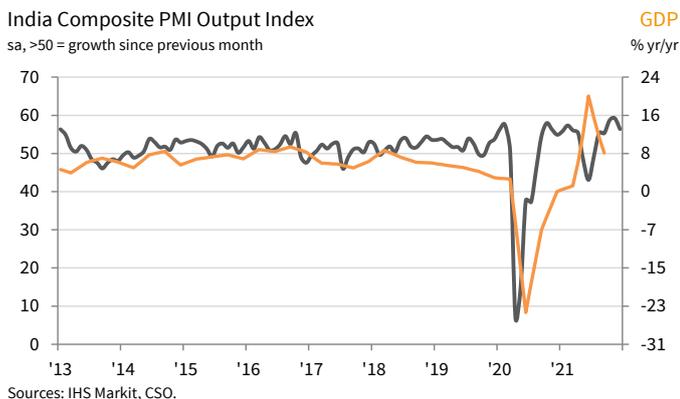
Service providers reported a further increase in expenses during December. Anecdotal evidence highlighted higher prices for chemicals, food, fuel, medical equipment, office products, tools and transportation. Although sharp and above its long-run average, the overall rate of inflation softened to a three-month low.

Amid reports of rising expenses, prices charged for the provision of services in India increased at the end of 2021. That said, the rate of charge inflation was moderate, below trend and the weakest since September.

Business confidence strengthened during December, to a four-month high, but sentiment remained subdued in the context of historical data. Some firms foresee further improvements in demand and expect marketing efforts to bear fruit. Others were concerned that the recovery could be dampened by price pressures and potential new waves of COVID-19.

*continued...*

## IHS Markit India Composite PMI®



### Growth of aggregate output cools at year end

Private sector firms in India recorded a further robust increase in output during December, despite the pace of expansion easing to a three-month low. The Composite\* PMI Output Index slipped from 59.2 in November to 56.4, but remained above its long-run average of 53.9. Both manufacturing production and services activity rose at slower, albeit historically strong, rates.

Aggregate new orders expanded for the fifth month running in December. The upturn was substantial, albeit the weakest since September. Manufacturers saw a stronger increase in sales than service providers.

December data pointed to a broad-based decline in employment at goods producers and service providers. At the composite level, jobs decreased for the first time in four months.

The expenses of Indian private sector companies continued to increase sharply in December, although the rate of cost inflation eased to the slowest since September. Similarly, aggregate selling charges rose at the weakest pace in three months.

For the fourth straight month, manufacturing firms signalled a stronger upturn in input costs than their services counterparts. Conversely, charge inflation was more pronounced in the service sector than in the manufacturing industry.

Finally, business confidence improved among goods producers and service providers at the end of 2021. Levels of sentiment remained well below their respective averages, however.

## Comment

Commenting on the latest survey results, Pollyanna De Lima, Economics Associate Director at IHS Markit, said:

*"2021 was another bumpy year for service providers and growth took a modest step back in December. Still, the latest readings pointed to robust increases in sales and business activity compared to the survey trend."*

*"Moreover, owing to the buoyant performances seen in October and November, the average growth rate for output over the third quarter of fiscal year 2021/22 was the strongest since the three months to March 2011."*

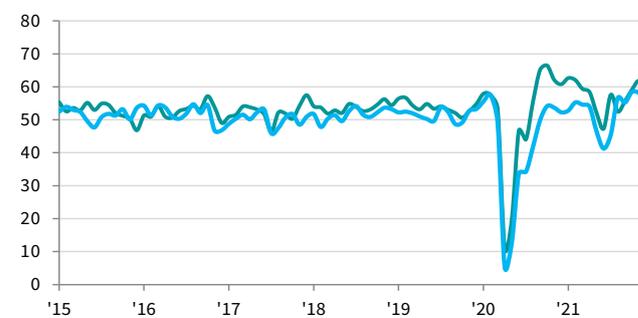
*"Services firms were generally confident that output would increase in 2022, but fears of new COVID-19 waves and price pressures somewhat hindered optimism."*

*"Encouragingly, inflationary pressures in the service economy showed signs of abating at the end of 2021, as both input costs and output charges rose at the slowest rates in three months."*

*"Uncertainty surrounding the outlook, and a general lack of pressure on capacity, led to a renewed fall in employment during December. That said, the decline was marginal and a recovery is expected this year should demand for services remain favourable."*

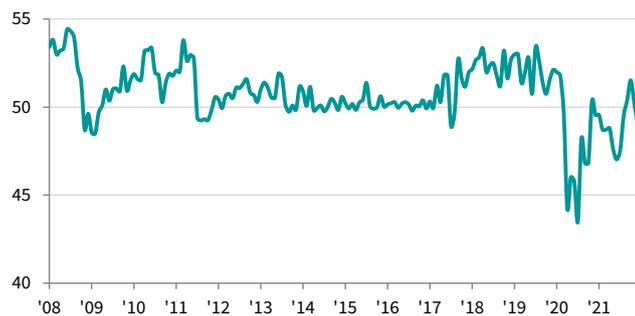
### Manufacturing Output Index Services Business Activity Index

sa, >50 = growth since previous month



### Services Employment Index

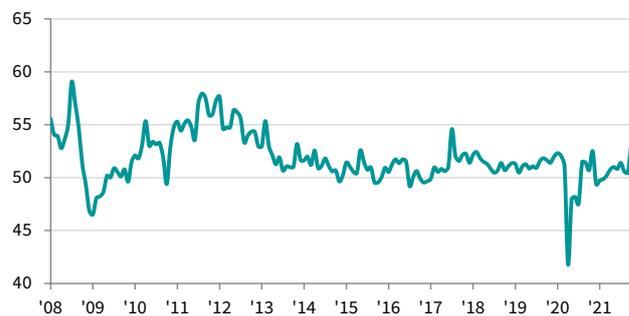
sa, >50 = growth since previous month



Source: IHS Markit.

### Services Prices Charged Index

sa, >50 = inflation since previous month



Source: IHS Markit.

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### Survey methodology

The IHS Markit India Services PMI® is compiled by IHS Markit 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.

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 services 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](mailto:economics@ihsmarkit.com).

### Survey dates and history

Data were collected 06-21 December 2021.

Survey data were first collected December 2005.

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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.

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