

# Services sector growth lowest in 11 months

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India's services sector growth slowed to an 11-month low in December on weaker new work inflows and output with overall business sentiment falling to its lowest level in nearly three and a half years, according to data compiled by S&P Global on Tuesday.

The HSBC India Services Purchasing Managers' index (PMI), compiled by S&P Global, fell to 58 in December from 59.8 in November. The index had last been this low in January 2025, when it was 56.6.

The reading for December remained above the 50-mark, indicating expansion in activity. A reading below 50 signifies contraction. The headline figure has been in the expansion zone for the 53rd month running. "Rates of expansion in incoming new work and output eased to the slowest in 11 months, with companies refraining from recruiting additional staff," said the survey.

Survey participants noted that the slowdown was mainly on account of alternate providers and cheaper prices offered by them. Increased uncertainty in the market and concerns about exchange rate movements dampened industry activity, said the survey.

"While India's service sector continued to perform well in December, the retreat in several survey indicators as 2025 ended may suggest a moderation in growth heading into the new year," Polyanna De Lima, Economics associate director at S&P Global Market Intelligence, said.

There was a halt in the recent trend of hiring growth among services firms, with 96 per cent of the survey participants noting no change in employment numbers from November. Meanwhile, operating expenses of service providers increased at a faster pace compared to November, mainly due to cost pressures of building items, chemicals, medical supplies, salaries, vegetables and office maintenance

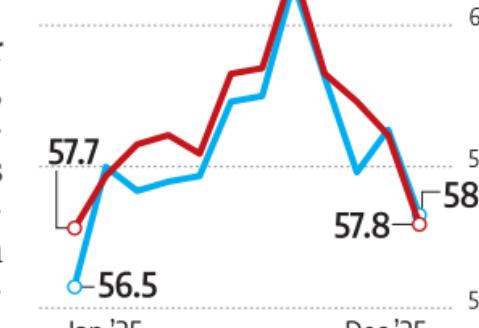


**Losing momentum**



— Services PMI — Composite PMI

65



57.7 56.5 58 59 60 61 62

Jan '25 Dec '25

A figure above 50 denotes expansion and below that signifies contraction Source: HSBC India

fees. Prices charged for services also increased at a quicker pace in December compared to the previous month.

"What bodes well for the outlook is the benign inflation environment. If services firms continue to see only mild increases in their expenses, they should be better positioned to compete and limit price hikes, thereby boosting sales and creating more jobs," De Lima said.

"Companies did express some anxiety about market uncertainty and exchange rate movements. While recent rupee weakness may have driven import costs higher, it likely made exports more competitive," added De Lima.

The services sector mirrors the slowdown in the manufacturing sector, which grew at its slowest pace in two years in December. The HSBC India Composite PMI Output Index, which is a weighted average of the Manufacturing Output Index and the Services Business Activity Index, also slowed to an 11-month low, falling to 57.8 in December from 59.7 in November.