

Dec Services PMI at 3-mth high on rise in new orders

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Services sector growth in India jumped to a three-month high in December due to favourable economic conditions and a positive demand trend, according to a private survey.

The seasonally adjusted HSBC India Services PMI (Purchasing Managers' Index) Business Activity Index rose from 56.9 to 59 in December.

Owing to lower readings in October and November, however, the latest quarterly average was the lowest since the fourth quarter of the financial year 2022-2023.

The December figure marks 29 months of the index remaining above the 50-mark since July 2021.

A reading above 50 indicates expansion of the sector, and a figure below that suggests contraction.

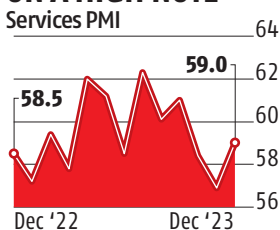
The survey polled around 400 companies in transport, information, communication, finance, insurance, real estate, non-retail consumer, and business services.

"India's services sector ended the year on a high note, with an uptick in business activity, led by a three-month-high new orders index. Input costs rose at a slower pace than in November, continuing the softening trend which began in mid-2023. But output prices rose at a faster pace, indicating improved corporate margins in December," said Pranjul Bhandari, chief India economist at HSBC.

According to the survey, the rise in total new business was supported by continued growth of international sales.



ON A HIGH NOTE



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There was higher demand from clients based in Australia, Canada, Europe, the Middle East, and South America during December.

"Having eased since November, however, the rate of expansion in new export orders was modest and the softest since June," it said, adding that services firms in India expect the strong demand momentum to carry forward into 2024, which, coupled with advertising and better customer relationships, underpinned upbeat forecasts for output.

"The overall degree of business optimism was strong and better than that seen in November," it said.

The HSBC India Composite PMI Output Index increased from 57.4 to 58.5, signaling a sharp rate of expansion that was the strongest since September.

The acceleration in the December Composite PMI was underpinned by faster growth in the service economy, as factory production rose at the slowest pace in 14 months.