

## Nikkei India Services PMI<sup>®</sup> (with Composite PMI data)

### Stronger upturn in new business boosts services jobs

#### Key points:

- New order growth among service providers at three-month high
- Business activity rises at quicker pace
- Second-strongest increase in employment since March 2011

Data collected October 12-29

October data pointed to a stronger improvement in India's service sector, with an accelerated upturn in new work underpinning quicker rises in activity and jobs. Cost inflationary pressures eased, resulting in a softer increase in selling prices. Meanwhile, business sentiment remained positive, but was hampered by political uncertainty.

At 52.2 in October, the seasonally adjusted **Nikkei India Services Business Activity Index** posted in expansion territory for the fifth straight month. Moreover, rising from 50.9 in September, the latest figure pointed to the quickest rate of growth since July. According to panellists, improved order flows supported the pick-up in output.

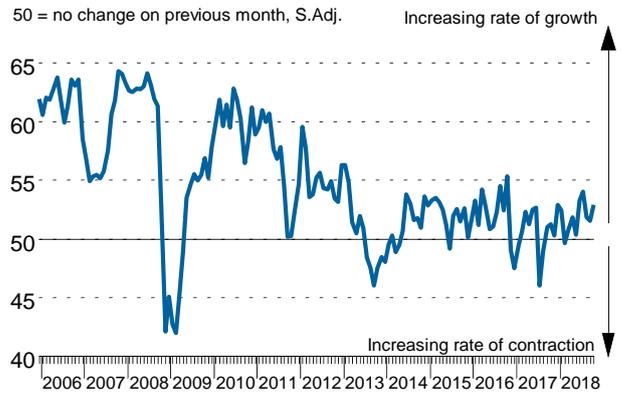
With manufacturing production also showing accelerated growth, the seasonally adjusted **Nikkei India Composite PMI Output Index** improved from 51.6 in September to 53.0 in October. This reading highlighted the strongest expansion in private sector activity since July.

In addition to rising for the eighth successive month, new business at services firms displayed the strongest upturn since July. Lifting growth was favourable market conditions, greater client bases and fruitful advertising. Similarly, growth of factory orders climbed to a four-month high, pushing the pace of expansion in private sector new business to the second-strongest in two years.

Indian service providers continued to add to their payrolls. The increase in employment was the fourteenth in as many months and the second-fastest since March 2011. Job creation also gathered pace in the manufacturing sector, but was weaker than recorded in its service counterpart.

Outstanding business at services firms continued to increase in October. The rate of backlog accumulation was the most pronounced in six months. Companies that reported higher levels of unfinished work mentioned delayed client payments as a key reason. Conversely, goods producers

#### Nikkei India Composite Output PMI



Sources: Nikkei, IHS Markit.

made further inroads into their backlogs, which fell for the second straight month.

Reflective of higher staff costs as well as greater food and fuel prices, service providers' expenses rose in October. The rate of cost inflation moderated from September's ten-month high, however, and was below its long-run average. With purchasing costs among manufacturers also rising at a slower pace, input price inflation across the private sector abated.

Similarly, charge inflation at service providers cooled during October. Panellists that raised selling prices mentioned the pass-through of greater cost burdens to clients. Nevertheless, some companies reported having avoided price hikes due to competitive pressures. By comparison, a marginal and softer increase in factory gate charges was recorded.

Although services firms retained an optimistic view towards growth prospects, confidence waned in October. Positive sentiment was supported by expectations of greater inbound tourism, marketing efforts and investment plans, while political uncertainty hampered confidence. The degree of optimism was at a 20-month low. Equally, sentiment among manufacturers waned to the weakest since February 2017.

#### Comment:

Commenting on the Indian Services PMI survey data, **Pollyanna De Lima**, Principal Economist at IHS Markit, and author of the report, said:

*"The PMI surveys brought positive news of stronger economic growth at the start of the third quarter of*

*FY 2018/19, together indicating a welcome rebounded in private sector expansion from September's four-month low. A stronger upturn in services activity complemented the faster rise in manufacturing production reported last week.*

*“Cost pressures faded in October, but service providers continued to report rising costs, especially for food and fuel. At the same time, a robust expansion in workforces – one of the best seen for over seven-and-a-half years – added to firms’ expenses. The waning of cost inflation, coupled with competitive pressures, resulted in only a marginal uptick in charges.*

*“A positive outlook is by no means assured, however. With business expectations about future activity dropping to the lowest for 20 months in both the manufacturing and service sectors, firms are becoming more guarded in the face of growing uncertainties. The sustainability of current market conditions and political worries both weighed on optimism and pose downside risks to growth.”*

-Ends-



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### **Notes to Editors:**

The Nikkei India Services PMI® is based on data compiled from monthly replies to questionnaires sent to purchasing executives in around 400 private service sector companies. The panel has been carefully selected to accurately replicate the true structure of the services economy.

The Nikkei 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 around 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.

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IHS 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 IHS Markit. Please contact [economics@ihsmarkit.com](mailto:economics@ihsmarkit.com).

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