

Nikkei India Services PMI[®] (with Composite PMI data)

Service sector growth wanes in January

Key points:

- New orders rise at slowest rate in four months...
- ...leading to softer upturn in business activity
- Employment increases solidly

Data collected January 11-29

Business activity growth in the Indian service sector cooled further at the start of 2019, amid the weakest upturn in new work since last September. Companies continued to hire, however, with job creation at a three-month high. Moreover, optimism regarding the outlook was sustained. Inflation rates remained mild by historical standards, but costs rose to a greater extent than in December.

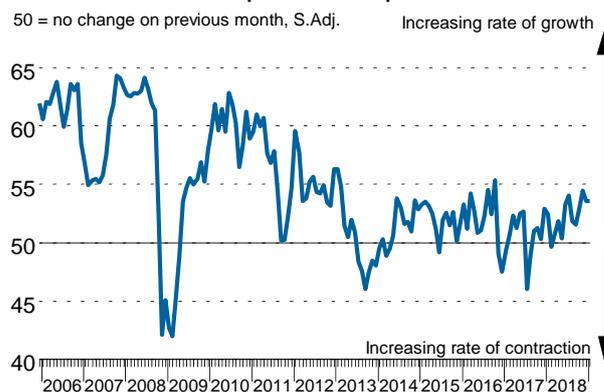
The seasonally adjusted **Nikkei India Services Business Activity Index** fell for the second straight month in January, from 53.2 in December to 52.2, indicating a softer expansion in output. Companies mentioned that growth was supported by favourable public policies, enhanced capacities and greater demand, with the upturn curbed by competitive pressures and election uncertainty.

A sharp and accelerated rise in manufacturing production counteracted the slowdown in activity growth across the service economy. The seasonally adjusted **Nikkei India Composite PMI Output Index** was at 53.6 in January, unchanged from December and indicative of a solid expansion in private sector activity.

A key factor restricting the rise in services activity was a softer expansion in new work. Firms noted a moderate increase in sales that was the weakest in four months. Underlying data indicated that the slowdown was centred on the domestic market as new orders from abroad grew to the greatest extent since last September, following back-to-back declines at the end of 2018. Opposite trends were noted in the manufacturing industry, where growth accelerated for total order books (13-month high) and softened for external sales (eight-month low).

Services employment continued to expand, with job creation at a three-month high. According to panel members, growth was underpinned by ongoing increases in new business and favourable market conditions. Manufacturers also hired extra staff, albeit to the least extent in five months.

Nikkei India Composite Output PMI



Sources: Nikkei, IHS Markit.

Additional hiring in the service sector failed to prevent a thirty-second consecutive accumulation in outstanding business. Although modest, the rise in backlogs quickened from December. Likewise, unfinished work increased in the goods-producing economy.

Operating expenses at services firms increased again in January, which panel members attributed to higher freight, fuel, meat and medicine prices. Despite picking up to a three-month high, the rate of cost inflation remained well below its long-run average. Although quickening from December, input prices across the private sector rose at the second-weakest pace since last April.

A softer increase in prices charged for the provision of services was evident in January, with 97% of firms leaving their fees unchanged during the month. There was a renewed upturn in factory gate charges at the start of the year, but the rise was negligible in the context of historical data.

Sentiment among service providers remained positive overall on the back of forecasts of sales growth, marketing initiatives and favourable economic conditions. However, optimism faded to the weakest since last October. Some panellists mentioned that, although they expect output levels to be higher in 2019, improvements are anticipated to take place after the general elections. Manufacturers, on the other hand, were at their most upbeat in four months.

Continues...

Comment:

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

“Expansion rates in the Indian service sector have been at similarly modest levels for the past four months, with January data extending the recent trend. There is some sign that growth may run out of steam, in the short-term at least, as seen by the weakest improvement in demand for four months and relatively subdued optimism.”

“Output growth in the private sector held steady for now, supported by a strengthening manufacturing industry. Should data for services carry on a downward path, we could see a slowdown in GDP expansion in the final quarter of FY18.”

“The good news came from the Indian labour market. Job creation at service providers was among the strongest seen for the past seven-and-a-half years at the start of 2019. The increasing willingness of companies to hire workers should help reduce still high levels of unemployment in the country.”

-Ends-



Nikkei India Services PMI[®] is sponsored by **NIKKEI**

Nikkei is a media organization with newspaper publishing at its core. Our flagship daily newspaper, The Nikkei, has approximately two and a half million subscribers. Nikkei's multi-platform media distribution also includes online, broadcast and magazines.

Since our founding in 1876 as the Chugai Blniaka Shimpo (Domestic and Foreign Prices News), we have consistently provided high-quality reporting while maintaining fairness and impartiality. The Nikkei brand has become synonymous with trustworthiness at home and abroad.

Nikkei Inc. offers a range of media platforms to satisfy the diverse needs of our readers. At the core of these services is The Nikkei which has a circulation of approximately two and a half million. Adding further depth to our offerings are our premium content and strong digital technology. The number of paying subscribers to the Nikkei Online Edition, which was launched in 2010, has surpassed 500,000. Our fee-based online services have one of the largest readerships in the world among newspaper publishers. Eight years after its creation, the online edition has evolved from a medium for providing news to readers into a tool that helps people advance their careers.

In 2013, we kicked off the Nikkei Asian Review, an English-language news service provided both online and as a weekly print magazine. The following year, we established an Editorial Headquarters for Asia in Bangkok to deepen our coverage of Asian economic news. In addition, we doubled the number of reporters stationed in Asia outside Japan. 2014 also saw the launch of Nikkei Group Asia Pte., a new company in Singapore tasked with spreading the Nikkei brand in the region. Our goal is to make Nikkei the leading media voice in Asia.

<http://www.nikkei.co.jp/nikkeiinfo/en/>

NIKKEI **ASIAN REVIEW**

<http://asia.nikkei.com/>

INTRODUCING THE ONLY BUSINESS PUBLICATION THAT BRINGS YOU INSIGHTS ABOUT ASIA, FROM THE INSIDE OUT

With more reporters and contributors across the region than any other business publication, only Nikkei Asian Review can give you a view of business in Asia from the inside.

Stay abreast of the latest news, analysis and insights with a subscription to Nikkei Asian Review – available in print, online, and on your mobile and tablet device.



Asia300:

Providing extensive coverage of over 300 leading companies in 11 countries and regions in Asia. Nikkei Asian Review aims to build the largest hub for Asian corporate news through enhanced reporting backed by large database of business and financial information on companies in the region.



JAPAN UPDATE:

Keeping you up-to-date with business and news from Japan.



VIEWPOINTS:

Bringing views of leading minds on Asia from around the world, including our column "Tea Leaves" written by some of our best writers.



POLITICS & ECONOMY:

Looking at fiscal and monetary policy, international affairs and more.



MARKETS:

Deep analysis of the markets, with detailed industry news to keep you abreast of some of the fastest growing sectors in the region.

her information, please contact:



Video:

Watch analysts explain our articles, catch interviews with top executives.



Print Edition:

Weekly delivery of the best content from Nikkei Asian Review to your home or office.



IHS Markit (About PMI and its comment)

Pollyanna De Lima, Principal Economist
Telephone +44 1491 461 075
Email pollyanna.delima@ihsmarkit.com

Bernard Aw, Principal Economist
Telephone +65 6922 4226
Email bernard.aw@ihsmarkit.com

Joanna Vickers, Corporate Communications
Telephone +44 207 260 2234
Email joanna.vickers@ihsmarkit.com

Nikkei inc. (About Nikkei)

Ken Chiba, Deputy General Manager, Public Relations Office
Atsushi Kubota, Manager, Public Relations Office
Telephone +81 3 6256 7115
Email koho@nex.nikkei.co.jp

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.

The Purchasing Managers' Index® (PMI®) survey methodology has developed an outstanding reputation for providing the most up-to-date possible indication of what is really happening in the private sector economy by tracking variables such as sales, employment, inventories and prices. The indices are widely used by businesses, governments and economic analysts in financial institutions to help better understand business conditions and guide corporate and investment strategy. In particular, central banks in many countries use the data to help make interest rate decisions. PMI surveys are the first indicators of economic conditions published each month and are therefore available well ahead of comparable data produced by government bodies.

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.

About IHS Markit (www.ihsmarkit.com)

IHS Markit (Nasdaq: INFO) is a world leader in critical information, analytics and solutions for the major industries and markets that drive economies worldwide. The company delivers next-generation information, analytics and solutions to customers in business, finance and government, improving their operational efficiency and providing deep insights that lead to well-informed, confident decisions. IHS Markit has more than 50,000 business and government customers, including 80 percent of the Fortune Global 500 and the world's leading financial institutions.

IHS Markit is a registered trademark of IHS Markit Ltd. and/or its affiliates. All other company and product names may be trademarks of their respective owners © 2019 IHS Markit Ltd. All rights reserved.

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. To learn more go to www.markit.com/product/pmi.

The intellectual property rights to the Nikkei India Services and Composite PMI® provided herein are owned by or licensed to IHS Markit. Any unauthorised use, including but not limited to copying, distributing, transmitting or otherwise of any data appearing is not permitted without IHS Markit's prior consent. IHS Markit shall not have any liability, duty or obligation for or relating to the content or information ("data") contained herein, any errors, inaccuracies, omissions or delays in the data, or for any actions taken in reliance thereon. In no event shall IHS Markit be liable for any special, incidental, or consequential damages, arising out of the use of the data. Purchasing Managers' Index® and PMI® are either registered trademarks of Markit Economics Limited or licensed to Markit Economics Limited. Nikkei use the above marks under license. IHS Markit is a registered trademark of IHS Markit Ltd. and/or its affiliates.

If you prefer not to receive news releases from IHS Markit, please email joanna.vickers@ihsmarkit.com. To read our privacy policy, [click here](#)