

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

### Service sector growth sustained in May

#### Key points:

- May sees further increases in business activity and new orders...
- ...but rates of expansion soften again
- Trends for employment and business sentiment improve

Data collected May 13-29

Indian services activity increased to a weaker extent in May, as disruptions arising from the elections in the earlier part of the month hampered growth of new work intakes. However, there were signs that the slowdown may prove temporary as companies stepped up hiring and became more confident about future prospects. Firms were also helped by a lack of inflationary pressures in the sector.

The seasonally adjusted **Nikkei India Services Business Activity Index** fell to 50.2 in May, from 51.0 in April. The latest figure highlighted the slowest growth rate in the current 12-month stretch of expansion. Some firms suggested that output rose in tandem with ongoing sales growth, while competitive pressures and the elections reportedly curbed the upturn.

A resilient manufacturing industry acted to offset service sector weakness, as faster production growth meant that the upturn in private sector output steadied. The seasonally adjusted **Nikkei India Composite PMI Output Index** was at 51.7 in May, unchanged from April. The reading was indicative of a moderate pace of increase that was the joint-slowest since last September.

New business inflows at service providers increased at the slowest pace in eight months. Where growth was reported, survey members commented on successful advertising efforts. By comparison, factory orders expanded at a quicker pace in May.

The rise in total new work across the service economy was supported by strengthening demand from overseas. New export business increased for the third straight month and to the greatest extent in just under a year. Similarly, goods producers experienced a quicker expansion in international orders.

#### Nikkei India Composite Output PMI



Sources: Nikkei, IHS Markit.

Services companies retained positive projections about the 12-month outlook for business activity. Expectations of favourable public policies, better demand conditions and planned marketing were among the reasons cited for optimism. Moreover, the overall level of sentiment improved in May and was among the highest seen over the past year.

This upbeat mood boosted hiring in the service economy, with employment having now increased for 21 months running. Furthermore, the rate of job creation was solid and faster than seen on average over the survey history. With factories also lifting headcounts, private sector jobs in India expanded at the fastest pace since February.

Another factor enabling services companies to take on extra staff was a lack of pressure on their expenses. Input costs did increase, but at the slowest rate in close to two-and-a-half years. With inflation also subdued in the manufacturing industry, aggregate input prices displayed the weakest rise in just under three years.

A marginal and softer rise in services fees was registered during May, with charge inflation much weaker than its long-run average. That said, for the second time in almost two years, the rate of increase in selling prices surpassed that seen for input costs. At the same time, factory gate charges were broadly unchanged from April.

Services companies indicated that delayed client payments prevented them from working on their outstanding business. Backlogs have increased throughout the past three years, though the accumulation recorded in May was the weakest

since January. Concurrently, unfinished work among manufacturers was little changed from April.

**Comment:**

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

*“India’s dominant service economy again suffered the impacts of election disruptions, with growth of both new work and business activity softening for the third straight month. With this now over, upcoming releases of PMI data will be key in showing whether the sector was only hampered by the elections or is actually cooling.*

*“Signs that we may see a revival in the service sector in the near-term were, however, evidenced by a pick-up in hiring activity and improved sentiment. Also supportive of greater client spending and investment among businesses is the evident lack of inflationary pressures.*

*“Taking the results released today in conjunction with manufacturing sector data published on Monday, PMI figures show that the combined private sector remains in good health. Some ground was lost so far in the first quarter of fiscal year 2019/2020 but, with a government formed and a resumed policy agenda, a recovery is expected as we head towards the second half of 2019.”*

-Ends-

## Nikkei India Services PMI<sup>®</sup> 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 Shimpō (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.



#### 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.



**For further information, please contact:**

**IHS Markit (About PMI and its comment)**

Pollyanna De Lima, Principal Economist  
Telephone +44 1491 461 075  
Email [pollyanna.delima@ihsmarkit.com](mailto:pollyanna.delima@ihsmarkit.com)

Joanna Vickers, Corporate Communications  
Telephone +44 207 260 2234  
Email [joanna.vickers@ihsmarkit.com](mailto:joanna.vickers@ihsmarkit.com)

Bernard Aw, Principal Economist  
Telephone +65 6922 4226  
Email [bernard.aw@ihsmarkit.com](mailto:bernard.aw@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](mailto:koho@nex.nikkei.co.jp)

**Notes to Editors:**

The early June releases of May data from the Asia PMI series will be the final releases to carry Nikkei branding.

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](mailto:economics@ihsmarkit.com).

**About IHS Markit ([www.ihsmarkit.com](http://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](http://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 trade



marks 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](mailto:joanna.vickers@ihsmarkit.com). To read our privacy policy, [click here](#)