

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

Services activity growth gathers momentum as new business inflows strengthen

Key points:

- Services output and new work expand at quicker rates
- Solid upturn in employment
- Price pressures wane

Data collected February 12-26

Economic conditions in India's dominant service sector remained positive in February, with a quicker expansion in new work supporting a faster increase in output and solid job creation. Business sentiment also improved, while rates of both input cost and output charge inflation cooled. One area of weakness was international trade, with exports down from January.

Rising from 52.2 in January to 52.5 in February, the seasonally adjusted **Nikkei India Services Business Activity Index** pointed to a moderate though quicker upturn in output. Greater bookings, the securing of new clients and supportive public policies were often commented on by companies that reported higher output.

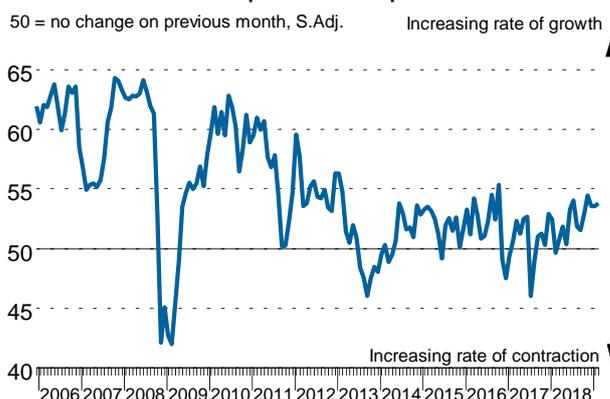
With growth of manufacturing production also gathering momentum in February, the seasonally adjusted **Nikkei India Composite PMI Output Index** rose from 53.6 in January to 53.8 to signal a solid and accelerated increase in private sector activity in the country.

New business received by services companies rose to a greater extent in February amid strengthening underlying demand. Some firms also suggested that marketing efforts bore fruit. At the same time, growth of factory orders climbed to a 28-month peak.

The upturn in services new work was domestically driven, as highlighted by a renewed contraction in external sales. Conversely, goods producers were able to secure orders from international markets. The increase was solid and picked up pace from January.

Business sentiment among service providers strengthened in February on the back of expectations of further improvements in domestic demand, advertising efforts and the offering of new services. The level of confidence towards the 12-month outlook for activity was nonetheless below its long-run average.

Nikkei India Composite Output PMI



Sources: Nikkei, IHS Markit.

Upbeat demand conditions fed through to the labour market, with service sector jobs expanding at the same solid rate that was registered at the start of 2019. In the manufacturing industry, the upturn in payroll numbers was the joint-quickest in 14 months, supporting the second-steepest rise in aggregate employment in close to nine years.

Outstanding business continued to increase in February. Services companies indicated that higher workloads reflected delayed client payments. The rise in backlogs was the quickest in 16 months and outpaced that seen in the manufacturing economy.

Input prices ticked higher during February, with a number of service providers indicating greater fuel costs. That said, the rate of inflation softened slightly from January and was below the average for the near thirteen-and-a-half-year survey history. Nevertheless, for the second month in a row, services firms noted a quicker rise in cost burdens than their manufacturing counterparts.

The pass-through of additional cost burdens to clients resulted in a further increase in services fees, the twenty-fifth in as many months. However, the rate of charge inflation moderated to the joint-weakest over this period. In fact, almost 97% of panellists reported no change in their selling prices. Charge inflation in the manufacturing industry accelerated in February, but remained mild by historical standards.

Continues...

Comment:

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

“Indian economic growth strengthened halfway through the final quarter of FY18 to the second-fastest since last July. The acceleration was driven by a thriving manufacturing sector, where production growth hit a 14-month high. Notably, manufacturing new export orders rose solidly and at a quicker rate against a backdrop of weakening global demand and trade frictions. When looking at other emerging markets, PMI data showed that the Indian goods producing industry outperformed those in Brazil, Russia and China by a considerable margin.

“Looking at the service sector in isolation, the PMI survey showed faster increases in new work and business activity supporting one of the best upturns in jobs for eight years. Still, these results confirmed a growing performance mismatch between manufacturing and services. Goods-producing companies outperformed their services counterparts for the seventh straight month, with the gap in output performance the widest for a year.”

-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.

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