

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

Indian economy enjoys best upswing in over two years

Key points:

- Strongest rise in output since October 2016
- Business activity as well as sales increase at faster rates in manufacturing and services
- Business sentiment strengthens

Data collected November 12-28

November saw India's economy spring back to life, as manufacturers and service providers registered stronger increases in business activity amid an upsurge in demand. Inflows of new work expanded at a pace not seen for over two years, supporting further job creation and an uptick in confidence. The picture for prices was mixed as input cost inflation moderated to a seven-month low, but firmer demand enabled firms to hike their charges to a greater extent.

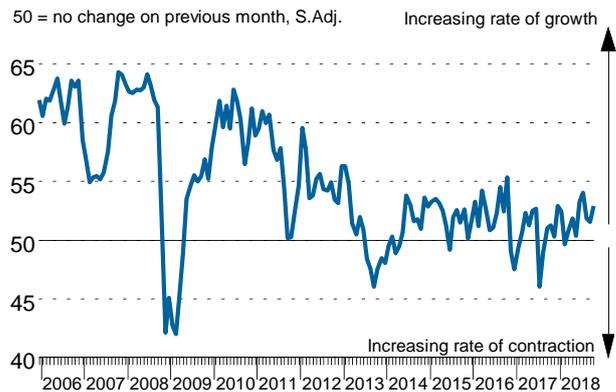
Rising from 53.0 in October to 54.5 in November, the seasonally adjusted **Nikkei India Composite PMI Output Index** pointed to the fastest expansion in private sector activity since October 2016. Growth was stronger in manufacturing than in services, though quicker increases were noted across both sectors.

The seasonally adjusted **Nikkei India Services Business Activity Index** rose from 52.2 in October to 53.7 in November, signalling a solid upturn in output that was the strongest since July. Firms highlighted greater client numbers, favourable market conditions and sales growth as factors boosting activity. Information & Communication led the increases in both business activity and new work, while Real Estate & Business Services was the only category to not see expansion.

Not only did services new business increase for the ninth month in a row, but also to the joint-strongest extent in over two years. Underlying data indicated that the upturn reflected robust demand in the domestic market, as newly-launched export business data showed a renewed decline in new work from abroad. By comparison, goods producers noted the fastest rise in order books in the year-to-date. Moreover, exports grew at the quickest pace in close to four years.

Services jobs rose in November, stretching the current sequence of expansion to 15 months.

Nikkei India Composite Output PMI



Sources: Nikkei, IHS Markit.

Despite easing from October, the rate of increase was in line with its long-run average. Upbeat demand was cited by companies that took on additional staff, with growth curbed by sufficient staff levels at other firms. In the manufacturing industry, employment expansion held close to October's ten-month high.

Operating expenses in the service sector continued to increase, with panellists mentioning greater wage bills as well as higher prices for food, freight, medicine and photography materials. Nevertheless, the overall rate of cost inflation eased to a seven-month low in November. With purchasing prices rising at a softer pace among goods producers, the aggregate Input Prices Index dipped to a seven-month low.

Amid reports of efforts to protect margins, service providers lifted their selling prices again in November. Although only slight, the rate of charge inflation accelerated from October as companies benefited from a healthier demand environment. Similarly, pricing power improved among manufacturers, who hiked charges to the greatest extent in 21 months.

Business sentiment at service providers strengthened in November, boosted by predictions of gradual improvements in market conditions. Likewise, optimism was higher in the manufacturing economy, lifting private sector confidence from October's 20-month low.

Continues...

Comment:

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

“Growth in India’s dominant service sector leapt to a four-month high in November, thanks to solid increases in new work at home, which in turn led to a continued rise in job numbers. The welcoming news complement similar upbeat results in the manufacturing industry, released earlier in the week, and so far suggest that the private sector economy will provide impetus to Q3 FY18 GDP results.

“Keeping up with levels of new work and increased activity, additions to the workforce were maintained for the sixteenth month running. So far, 2018 proved to be the strongest year for employment growth for a decade.

“Of respite to firms, there was a cooling of cost inflationary pressures midway through the third quarter. This, coupled with firmer demand, enabled manufacturing and services companies to seek to improve their margins by hiking charges at quicker rates.”

-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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